

# Nation's Business

A USEFUL LOOK AHEAD

DECEMBER 1964

## WHAT TO EXPECT NEXT YEAR

in business  
in Congress  
in labor

Why credit controls would hurt PAGE 34

Robert Moses warns against "mob rule" PAGE 100

Stock market trends to watch PAGE 90

# LIGHT



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4) Where in your daily newspaper—and not in the financial pages—is the best source of 100% or better profit opportunities?

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6) Three tiny mistakes in negotiation mark you as an "amateur" to smart-money men. Do you know how to avoid them?

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They are an entirely different way of thinking about money than you are aware of today. They are the "Insider Techniques" that you have been hearing rumors about for years. They have already been used, time and time again—in Wall Street, in real estate, in dozens of other businesses all over America—to literally build million-dollar fortunes from pennies.

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How to create credit. How to take money borrowed at 3% to 4½%, and bring it up to 36% on it.

How to turn somebody else's "must-sell" business into a capital-gain for yourself. How to turn business opportunities into royalty checks, even if you don't invest in them yourself. How to make your business ideas pay you a guaranteed profit or a weekly salary, or a personal percentage of the gross—in many cases starting six full months or more before they are even brought out on the market.

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His corporate connections at the present moment include the presidency of Disability & Casualty Inter-Insurance Exchange; Universal Drug & Research Laboratories, Inc.; Universal Research Products Inc.; Annuity Agency Company, with financial interests in two dozen other companies.

Mr. Appleman is the author of a total of forty-six technical volumes on insurance, economics, estate planning and financial security. In addition, he has written articles appearing in one hundred and forty publications, and has been a regular contributor to both the Encyclopedia Britannica and World Book Encyclopedia for many years.

And now his amazing book for the average investor, *How To Increase Your Money-Making Power*, is yours to read from cover to cover without risking a penny. Read the thrilling details on this page.

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looked ways to lower your taxes, without legal complications. The four golden rules of taking more net profit out of your business. How to sell property for thousands of dollars more than your uninformed neighbor might get.

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# Nation's Business

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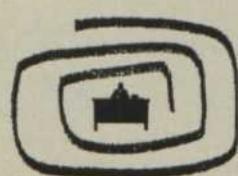
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**A large insurance company** uses a DATA-PHONE network to transmit records of premium payments, claims, new policies and accounting information from 34 branch locations to a central data center. Data that once took six to seven days to arrive by mail is now reported daily. Operating costs have been reduced by one million dollars annually.

**A savings institution** uses DATA-PHONE service to connect all teller windows with a central computer. Tellers can check and update accounts immediately from any location—and can handle two customers in the time it used to take for one. Back-office teller work has been reduced by 90 percent.

**A southern hospital** uses DATA-PHONE data sets to link various departments to a central data center within the building. The system has eliminated tedious clerical functions and makes it possible to give patients complete bills at discharge time, avoiding the annoyance of follow-up billing.

**A national recording company** now handles distributors' orders from DATA-PHONE-equipped sales offices linked directly to new, centrally located inventory centers. The firm is handling orders many times faster—and savings in warehousing and inventory handling are running better than \$80,000 a month.

**A drug wholesaler** uses DATA-PHONE service to link its two supply locations together, thus offering pharmacies the equivalent of two full-line wholesale sources. The firm is now achieving a 99.5 percent level of order fulfillment, with no increase in dollar investment for inventories. Sales volume is up \$100,000.

**A major oil company** makes use of DATA-PHONE service to transmit credit-card payments from its New York headquarters to a midwestern data center. Processing time between the two points has been reduced from several days to just a few hours—and the cost of air-mailing the data has been eliminated.

**An appliance manufacturer** has used DATA-PHONE service to tie more than 40 independent supply centers into an automated network for ordering and supplying replacement parts. The time required to receive and deliver orders has been reduced from 14 days to 1½ days, with substantial savings resulting.



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# WASHINGTON BUSINESS OUTLOOK

## U. S. Treasury ponders profit outlook.

In making revenue and spending estimates for next budget period, economists run into conflicting trends.

Estimates range widely, differ by billions.

It's easier to guess what sales will be than to estimate profitability.

This much is known:

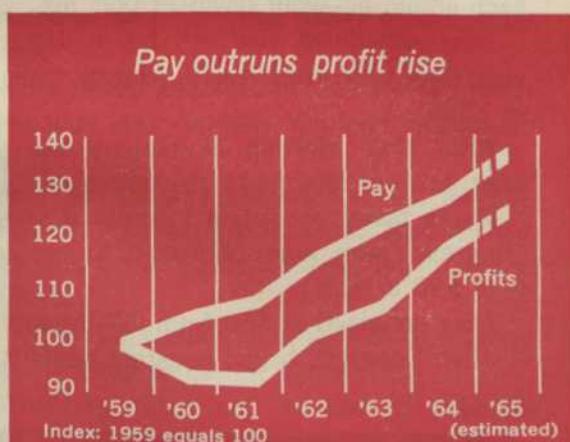
Corporate earnings this year average about 14 per cent above past year.

As to future, next year's earnings may not be more than six per cent above this year.

Chart shows what's happening to earnings in comparison with pay.

Profits before taxes are approximately 26 per cent higher than '59.

Employees' pay is up more than 36 per cent.



**No steel strike in '65.** That's informed Washington guessing.

Steel people aren't so sure.

But Washington insiders believe President will "do a good bit of arm-twisting" to avoid shutdown which could begin next May 1 after 120-day no-strike talk period ends.

Reason: What strike could do to nation's prosperity.

People's income nosedived in '59 one month

after strike began. Drop was at \$3.4 billion annual rate.

Compares with \$700 million income decline after month of business recession during the late '50s.

That means strike cut total personal income more in one month than business recession did in four.

Indicates what could happen in '65—if industry-wide strike is called.

**Typical Washington opinion** on what's ahead for business:

Near-term prospects are very good, according to Dr. Richard H. Holton, assistant secretary of commerce for economic affairs.

He's less precise about longer-term prospects but anticipates no reasons for worry.

Stable future could be upset by overbuilding productive capacity or by excessive building of business inventories.

There is no current evidence of either.

Dr. Holton and other leading Washington economists agree with business forecasters that total production of goods and services in '65 will amount to about \$650 billion.

Other estimates are in the same range, with some as much as \$10 billion higher.

This implies about five per cent economic growth for year ahead.

**Actions and proposals** in Washington will influence your business in '65.

Here are some of them:

Wage regulation—Proposed \$1.50 hourly minimum may be enacted. Unions press for \$2. Lowest you can pay now is \$1.25. Pressure is strong to broaden coverage to industries now exempt.

Hours of work—Proposal to limit workweek to 35 hours is sure to come up again. Not likely to pass during first term of Congress.

Pay—Double wages for overtime work will

get high priority. But outcome is uncertain.

Jobless pay—Proposal would establish federal standards, extend duration of jobless pay benefits. Strong possibility.

Union membership—Labor law amendment would wipe out 20 state laws that forbid compulsory union membership. Drive for passage of this measure will be most vigorous ever. But passage is doubtful.

Government spending—Little likelihood for \$100 billion ceiling on expenditures to hold. Last session okayed \$106 billion.

Subsidies—More of them in all forms for cities, states, poor areas, schools, universities, local airports, etc.

Federal debt—Sure to rise, sure to cost more interest, new ceiling to be needed as temporary ceiling proves too low.

Federal paperwork—More committee investigations. But little relief in sight for paperwork burden on business.

Packaging controls—Proposal is aimed at federal regulations for packaging and labeling. Outcome uncertain.

Credit controls—Douglas proposal to require specification of interest charges will probably not pass.

**Compulsory health tax issue** will get biggest push yet.

This is sure to be much-discussed issue both in Washington and across nation—important to businessmen because of what it would do to your payroll costs, how it would threaten the soundness of old-age pension fund.

Controversy—despite new pressure for passage—continues to hang on whether health care for older citizens shall be made part of the social security program.

**Stalemate could be broken** in '65 by compromise proposal—details yet to be worked out—to get foot of socialized medicine inside

legislative door. House Ways and Means Committee Chairman Wilbur Mills stands firm against Administration proposal.

But he says:

"There may well be within our reach solutions to the admittedly difficult and increasing problems of medical care for the aged which lie outside of attaching a federal program to the framework of the social security insurance system."

"There are other principles which we can embody to insure a sound medical program while at the same time preserving our basic social security insurance system."

**Future tax boosts** already are on the schedule.

Social security payment is \$348 annually for each employee—your payment plus his.

Next scheduled rise will be in January a year from now when social security taxes rise to \$396.

After that, starting in January two years later, tax will total \$444 per employee.

These taxes, according to original intent of Congress, were never expected to cost more than \$90 a year.

Cost remained at \$60 from '37 through '49.

Then Congress began boosting benefits and

#### *Future payroll tax boosts coming*

	Employee pays	Employer pays	Total
1963-65	\$174	\$174	\$348
1966-67	198	198	396
1968-on	222	222	444

*Social security taxes already scheduled.*

# WASHINGTON BUSINESS OUTLOOK

taxes every year or two—usually during election years.

Additional benefits would require future tax hikes.

Here's Mr. Mills' view on whether Americans would accept higher taxes:

"I have always maintained that at some point there is a limit to the amount of a worker's wages, or the earnings of a self-employed person, that can reasonably be expected to finance the social security system."

"Not only is this a gross income tax, but it adds to the cost of American goods and services.

"I do not believe that the American people will support unlimited taxation in the area of social security."

## Congress has running start on excise tax changes.

House Ways and Means Committee, where all tax laws start, already has held basic hearings.

More will be scheduled for spring months.

Alcohol, tobacco taxes won't be touched. These add up to about \$5.5 billion in federal revenues.

Another \$3.5 billion earmarked for highway program will also be left alone.

Taxes on autos and telephones probably won't be changed either.

That narrows reduction possibilities to taxes amounting to approximately \$3 billion.

Retail excises—10 per cent levies on toilet preparations, luggage, furs, jewelry, other items which bring about half billion dollars annually to U. S. Treasury—are rated most likely for change.

Treasury experts and Capitol Hill leaders—behind closed doors—debate timing and size of cuts following up on President Johnson's announcement last month.

No agreement yet.

Excise taxes come up for renewal at end of June.

They will go off automatically unless action is taken.

It's a good bet that renewal action at mid-year will include some reductions and some eliminations.

And business will get a sound forward push.

Could be enough to change business outlook a year from now.

Expected slow-up would be put off.

**Talk of reductions** could crimp sales of some big-ticket items, intensify pressure on Congress for action.

So legislative strategy is this:

Leave outcome in doubt. Then act fast. Make cuts effective as soon as possible after they're voted.

## Federal bureaus make spending plans with this goal topmost:

Total expenditures, all agencies, are not to exceed \$100 billion.

You'll know outcome before mid-January, maybe by end of this month—if President decides to announce ahead of time as he did last year.

New budget will show:

Further decline in arms spending.

Higher costs for welfare programs.

Bigger revenues for year ahead—which will enable President to propose fiscal '66 budget with deficit roughly \$3 billion.

That's about half what the deficit will be at end of this fiscal year.

**An estimated 70 million passenger cars** will be rolling on American highways by New Year's Day.

That's net.

Nearly six million end up in scrap yards before another year goes by.



(FOR KEY EXECUTIVES ONLY)

## IF YOU GET SICK

HOW LONG  
CAN YOUR COMPANY  
AFFORD TO KEEP YOU  
ON THE PAYROLL?

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NB-5

## Business opinion:

# Today there are no unemployed

I WISH to add to the remarks of Mr. Snelling ["Business Opinion," October] apropos of inflated unemployment figures.

With no desire to downgrade our personnel, the taxicab industry has historically employed the bottom of the urban labor market. With the automation of bowling alley pin-setting and restaurant dishwashing, the basic requirements of a cab driver's job have been among the simplest in the labor market.

Today there is hardly a town in this country where an adult male who can drive a car and is reasonably literate could not get a job driving a cab—and make a good living at it.

Nevertheless, in this period of so-called unemployment, most cab companies have a great part of their investment in equipment inactive due to lack of drivers.

Certainly there are men who cannot retain a cab-driving job, and these men show up on the unemployment statistics. However, these are men who of their own volition are absent after their first pay check, or who drink on the job, drive recklessly or cannot give a passenger simple politeness.

Such people are not unemployed—they are unemployable. Thus, they do not properly belong in statistics of unemployment any more than do illiterates, alcoholics and the severely handicapped or the plain shiftless.

Subtract these from Mr. Snelling's 2.2 per cent and you get the same answer I get from my personnel manager: Today there are no unemployed.

ROY FLEISCHMAN  
Executive vice president  
B-Line Cab Co.  
Louisville, Ky.

### Figuring income tax

I am wondering if you did not err ["Washington Business Outlook," October] where you say that a taxpayer earning \$8,000, with a wife and three children, will pay roughly \$600 federal income tax.

Should it not be "roughly \$700,"

or actually \$720? According to my computation, five exemptions @ \$600 and a standard 10 per cent deduction of \$800, or a total of \$3,800, leave a taxable income of \$4,200. The tax on this is \$720.

TOM F. WEBB  
Accountant tax counsel  
Ridgway, Pa.

► We're both right. Instead of the standard 10 per cent deduction, we deducted \$1,000 in itemized deductions, and applied the new, lower tax rate effective next year.

### For community colleges

Congratulations to you and Felix Morley for the article ["State of the Nation," October] on community colleges. It is extremely informative and accurate in its well balanced analysis.

Our overcrowded campuses certainly need this type of higher educational instruction as a supporting element for four-year colleges.

It is true that the Higher Education Facilities Law of 1964 does permit the junior college to apply for financial support. The saving to taxpayer and students certainly demonstrates that we are finding a way to encourage capable students to pursue continued education in community colleges.

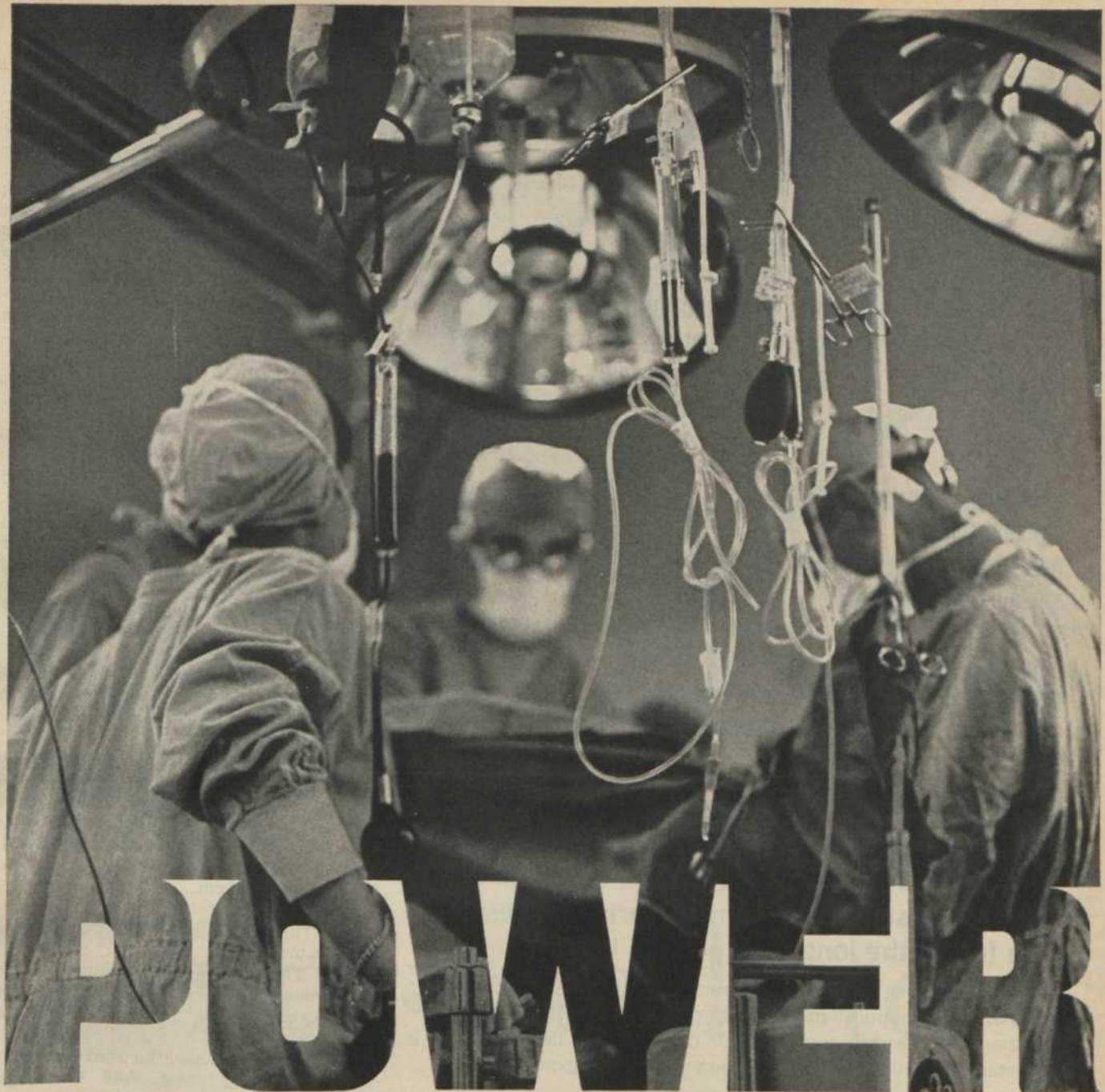
ROBERT D. SELTZER  
Professor of political science  
Indiana State College  
Terre Haute, Ind.

### What's behind decisions

"Match Decisions to Your Problems" [October] lists a matching of requirements for the phases of decision-making as it concerns all business. I appreciate and hope to profit in better performance through the assistance of material such as this.

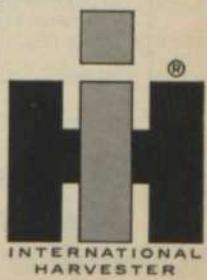
In "Why Men Take Risks" [also October] no understanding is shown of the fact that someone who starts and runs a business has to be concerned definitely with each of these phases of decision-making.

An example may have been a puzzle-solver who decided to risk putting over a product, had to use



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the strength to grow



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## Business opinion:

some strategy to organize and deal in business, and also had to consider the morals of method.

The authors appear to believe that all who start a business are motivated by strategy designed to harm someone else, that the germ of beginning the business wasn't possibly the efforts of a puzzle-solver who had later to vary his talents to cover other decision-making phases.

HOWARD L. WOOD  
Wood's Power-Grip Co.  
Wolf Point, Mont.

### Is customer stealing?

In your August article, "Loss of Spiritual Values Weakens U. S. Politically," you pointed accusingly at Washington and said, "An inner (moral) poverty . . . is our most deadly enemy today."

Then, in October's "A Look Ahead," you headline: "Smart Shoppers Save."

The article speaks with grudging approval of the customer as "a pretty wise character who can take care of himself."

And just who is he? He's the one who prowls the grocery shelves and self-service meat counters looking for items that have been accidentally priced lower than intended. "Bargains" is the term you use to describe them.

Might not "windfalls for easy-scraped customers" have been more appropriate?

The shopper who hunts these mispriced items is morally, if not legally, just as much a thief as one who pockets an item of equal value. They both have the inner poverty of a petty cheat. And when you speak of them as smart, wise, bargain-conscious and able to take care of themselves, what does that make you?

Perhaps, sacrificing in the line of duty, you have associated too long with those evil, grasping, soulless government bureaucrats, and a wee bit of it has rubbed off.

JAMES C. RIPPEY  
Omaha, Neb.

### Informed on courts

I appreciate the accurate and generous manner in which you have quoted me ["What to Expect From the Supreme Court," October]. The article was excellent, well balanced, precise and informative.

RAY FORRESTER  
Dean  
The Cornell Law School  
Ithaca, N. Y.

Here are some of the cost-conscious firms that chose USS CYCLONE Steel Fence—Aluminum-Coated. Why? Because of this common-sense fact: the stronger and more corrosion-resistant a fence, the longer its service life.\*

\*USS CYCLONE Steel Fence—Aluminum-Coated is 50% stronger than all-aluminum fence and its coating lasts 3-5 times longer than a galvanized coating. Your CYCLONE man can show you a nearby installation. Just fill in and mail the coupon below.

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## Executive Trends

- What companies want now
- Customers can hurt your business
- Some hints for readers

**Recruiters report** that their business has never been better.

This doesn't mean that a lot of managers are out of work. It means that demand for executive talent is running high, that good men are scarce in many lines. Pressure is likely to continue well into 1965.

Example: Recruiter Spencer Stuart of New York says his firm has a record number of requests for executives to fill openings both here and in Europe. Men with corporate planning skill are among those most sought after, a fact confirmed by the numerous requests for planning information now flowing into offices of the American Management Association in New York.

An AMA spokesman sees indications that an increasing number of companies "are breaking out planning as a full-time activity."

Other subjects presently of high interest to business—judging from the flow of inquiries to AMA—include manpower planning, automation and techniques for measuring return on the research dollar.

• • •  
**More and more companies**—possibly your own—are discovering that a rising sales curve isn't always a cause for cheering.

In fact, sales increases can be dangerous if they're accompanied by disproportionately large boosts in what it costs to win or hold a customer.

To avoid customers who drain away profits, scrutinize the size of your accounts, the time your salesmen spend on them, the growth potential of the accounts and their

contribution to your profits. That's the advice of James D. Scheinfeld, an international director of the Sales Promotion Executives Association.

Mr. Scheinfeld—vice president of a firm in the temporary manpower field—believes salesmen's compensation should be tied to profitability rather than raw sales, "simply because a lot of accounts are unprofitable—either because they are too small, lack frequency, can't grow or have other shortcomings."

The weeding out of unprofitable accounts is a trend to watch in the coming year, Mr. Scheinfeld asserts. There will be more of it, he predicts, if only because of continuing increases in what it costs business to make sales calls.

• • •  
**Don't overlook** the value of having good public speakers in your ranks. They can do much to build both good will and good business.

Henry Gellermann, a general partner of Bache & Co., stock brokers, seconds this motion. Twelve years ago he was instrumental in launching a lecture series in which Bache officials explain to the public the why and how of investing. From a modest start the program has expanded rapidly; now once-a-week lectures are not uncommon in 81 American cities where the firm maintains offices. In 1963 alone, by Mr. Gellermann's reckoning, 100,000 people heard the lectures.

More and more businesses—in finance and other lines as well—are adopting the idea. Some operate in-company speakers' bureaus, sup-

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Mr. Ernest S. Marsh, President of the Santa Fe Railway System. The automobile is the Continental limousine, custom converted by Lehmann-Peterson.

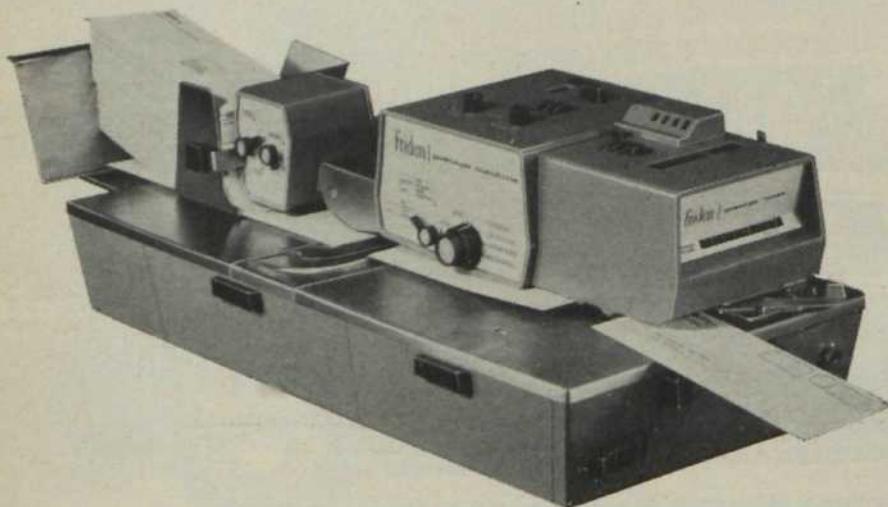
Lincoln Continental is the luxury motorcar that stands apart from all other cars. It is the automobile owned by more and more men of accomplishment. It distinguishes them among fine car owners. What does your car say about you?

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continued

# How to beat the rush hour in your mailroom



Get the new Friden Postage Machine with automatic feed.

It can do something about the end-of-the-day flurry in your mailroom that often means late mail and overtime for your staff.

But there's much more to this postage machine than an automatic feed.

There are nine features you won't find on any other postage machine. Some of them are little improvements, like being able to dial postage values and dial the date.

Others are more important, like merely pushing a button for wet meter-stamped postage tapes, or

pushing another for dry tapes.

And still other features are advantages your mailroom supervisor will recognize after just a few minutes with the machine.

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We offer sales, service and instruction throughout the world. Call your local Friden man for a demonstration of the Friden Postage Machine and other new mailroom equipment. Or just write to Friden, Inc., San Leandro, Calif.

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ply speakers to civic, professional groups. A few run elaborate seminars for the public, with topics as diverse as foreign elections and the long-range impact of automation.

Behind the trend: Corporate officials find it's a particularly effective way to get their message across to housewives (most programs are held at night); in addition, the programs are an excellent device for acquainting the general public with the dynamics of competitive enterprise.

• • •

You may benefit from three reading tips recommended by George S. Odiorne, a veteran writer on management subjects. (He's also director of the Bureau of Industrial Relations, University of Michigan.)

1. Know the author and his record.
2. Check reported research findings against your common sense.
3. Relate recommendations of authors—especially those writing in the field of management—against your personal experience.

Why be so cautious? Dr. Odiorne cites the case of a laboratory director who read an article in a leading journal which indicated that the new style of management was a get-tough line. He tried this with the professionals in his lab and the previously productive group rebelled. A number of them accepted other jobs which they otherwise wouldn't have considered.

"It all boils down to the ability to discriminate," says Dr. Odiorne. "And that's a skill which any manager should cultivate if he is going to make the best use of what he learns through reading."

• • •

#### Studies in the works:

National Industrial Conference Board is examining experiences of American companies in employing Negroes. Financed by a \$195,000 Ford Foundation grant, the study will cover such things as training and advancement of Negroes, their performance and acceptance on the job. Completion date: late next year or early '66.

A professor at the University of Chicago's Graduate School of Business is conducting a three-year study of business competition, with focus on the uncertainties that contribute to it. The study is financed



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"We consider the NCR 420-390 total system the key to our profitable growth despite increasing competition." Louis Weisberg, President, Giant Tiger Stores, Inc., Cleveland, Ohio.

*Louis Weisberg*



**NCR**

## EXECUTIVE TRENDS

continued

by a National Science Foundation grant.

• • •  
**How are you fixed for graduates?**

College Placement Council, Inc. forecasts a continuing high level of recruiting by business next year. The Council finds no real let-up in the demand for engineering graduates despite much-heralded cutbacks in defense, space programs. Demand for graduates in accounting has slackened somewhat, the Council says, but this has been offset by a steady rise in openings for liberal arts graduates.

The Council reports three times a year on trends in salary offerings to graduates.

Next report, based on information from 104 schools, will come early in January. It goes only to Council members.

• • •  
**Here's a sure formula for failure:**

Throw yourself so thoroughly into your work that you lose sight of whether or not what you do is helping your company make a profit.

Consultant Henry O. Golightly says more and more top managers are rating their subordinates on their contribution to profit or lack thereof.

It is his contention that in every business you can find highly paid and highly placed people whose influence on profit-building could be great but who waste their time on things that do not really count.

Recommendation: Take a hard look at line and staff activities and you'll discover much wasted motion that does not add to your firm's profits and should be eliminated.

Mr. Golightly argues that large companies are more likely than small ones to develop organizations in which the "profit instinct is bred out" as a result of the fragmentation of management and staff activities.

He cites the personnel function as an example.

"In many companies," he says, "it is not unusual to find a situation where the personnel department devotes itself to such things as interviewing and testing miscellaneous job applicants, and administering the company recreation program, when the real need is to recruit some top-caliber engineering brains to develop new products."



Roger V. Loria of V. Loria & Sons, bowling supplies  
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Maybe mail isn't a big thing in your business, either. But you can still have the big-business benefits of metered mail—with Pitney-Bowes DM, the little low-cost postage meter machine made for small business. Over one-third of DM users average less than \$1 a day in postage!

You're through sticking stamps! And safeguarding fragile adhesive stamps in a stamp box. And running down to the postoffice when you run out of stamps. Metered mail needs less handling in the postoffice, can often go out on earlier trains and planes.

With the DM, you print postage as you need it for any class of mail

— directly on the envelope, or on special gummed tape for parcel post. At the same time, print your own small ad, if you want one.



The postoffice sets your meter for as much postage as you want to buy. The meter protects your postage from loss, damage, diversion; gives you automatic and accurate postage accounting; double registers show postage used, and postage on hand.

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**FREE:** Booklet, "So You Think Metered Mail Is Only For Big Business?" plus handy postal rate chart including new parcel post rates. Or literature on new Addresser-Printers.

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Millions of dollars are being saved in capital investments for industrial plants and other construction in this four-state area due to more economical building costs. Nationwide building construction surveys showed that 1963 costs in the nation were 15% above those for the Alabama, Georgia, Florida and Mississippi area. In one region building costs were 26% greater than for these four states.\*



Among the reasons for lower building costs in this area, according to contractors, are more productive workers, weather affording more working days, and readily available building materials—cement, brick, steel, lumber, etc.

Industry and business have also profited from abundant, low-cost electric power provided by The Southern

Company system. To assure ample power in the future, Southern's affiliated companies plan to spend \$600 million in 1964-66 for generating plants and transmission and distribution facilities.

These facts emphasize the opportunities in the new South.

Significant and continuing growth in this four-state area is shown by these pertinent comparisons:

	4-State Area	United States
Rate of Gain 1953-63		
Personal Income . . . . .	. 92.4%	. 62.7%
Bank Deposits . . . . .	. 96.1%	. 63.6%
Retail Sales . . . . .	. 66.9%	. 42.7%

SOURCES: U. S. DEPT. OF COMMERCE, FEDERAL DEPOSIT INSURANCE CORPORATION AND SALES MANAGEMENT, SURVEY OF BUYING POWER.

*Power and Progress . . .*

*Partners in the New South*

\*Dow Building Cost Calculator, Subsidiary of F. W. Dodge company division of McGraw-Hill, Inc.

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Southern Services, Inc. .... Birmingham, Alabama

## Will success spoil LBJ's carnival of compatibility?

BY PETER LISAGOR

AMERICAN PRESIDENTS have come to believe that they must hang a label of sorts on their public works. It isn't a historical requirement, but it has become a demand of public relations. And most chief executives in modern times have honored it—from Woodrow Wilson's New Freedom through Dwight D. Eisenhower's Great Crusade to John F. Kennedy's New Frontier.

Lyndon B. Johnson, who cut his political teeth on Franklin D. Roosevelt's New Deal and Harry S. Truman's Fair Deal, waited a decent interval after assuming power before experimenting with a brand name suitable to his style and purposes. The New Frontier might have been a snug fit for the expansive Texas rancher, but quite understandably, Mr. Johnson wanted to put the LBJ brand on his stewardship.



In the early days, he toyed tentatively with the Better Deal. This not only lacked the soaring lilt of the space age but had overtones of a used car commercial, and the President abandoned it for something more lofty. He finally settled on the Great Society.

Specialists in the art of slogan-making shook their heads dubiously; the phrase had a pretentious Nineteenth-century ring to it. There was about it a hint of elegance not exactly in keeping with the rough-hewn, prairie-sky world of Central Texas. That, however, may have been the very reason Mr. Johnson liked it, for men are forever seeking horizons over the next rise.

Until he won command in his own name, the President could do little more than clean up the legislative agenda left to him by his predecessor. But even before election in his own right, he realized that he would be expected to cut new furrows. Some 15 task forces, or study groups, were organized to formulate ideas and plans for a whole range of national problems—agriculture, education, metropolitan affairs,

foreign economic policy, government fiscal policy, the maintenance of prosperous economic levels and the like. Authorities whom Mr. Johnson considered among the most talented in the country were recruited to flesh out his abstract concept of the Great Society. In other words, to advise on political goals of the Johnson Administration.

The President gave each of the groups its writ. Each was to consider, he said, what was best for the nation without concern for the pressures of restraint or expansion. "Leave the politics to me." To those familiar with his reputation for accomplishing prodigies in Congress, this was reassuring advice. But White House insiders felt that few of the experts were so removed from reality that they were likely to recommend anything too visionary or utopian. They came to their tasks aware that Mr. Johnson prided himself as a man of compromise and conciliation.

"THE PEACEABLE KINGDOM" BY EDWARD HICKS



President Johnson would like to see Big Government, Big Business and Big Labor live in pastoral harmony.

His actions during his political career so far indicate that innovation for the sake of change is hardly in the LBJ type. The support he got from business elements seemed to indicate that he would not readily embrace way-out schemes calculated to alarm many conservative citizens.

The President wanted his task forces to make what

Peter Lisagor is White House correspondent for the Chicago Daily News.

## TRENDS: WASHINGTON MOOD

they considered "desirable" proposals; he would decide which of them were "feasible." This poses a major problem for him—feasible from whose standpoint? It is one of his greatest dilemmas: How to cope with problems he sees in a way that will please the wide spectrum of national opinion. If he could manage it through some magic formula, he would like to keep every diverse and potentially divergent segment of the society happy under his flexible tent. He would like to see Big Business, Big Labor and Big Government living in joyous harmony, their inherent conflicts dulled by an abundance of profits, wages and surpluses. But even the optimistic side of the President's nature cannot obscure that this outlook is not realistic and that ungovernable forces will conspire to spoil his carnival of compatibility before too long.



One of the goals he has staked out, for example, is to make the cities more livable. And it is not wholly outlandish to suggest that to do this, in the case of the monstrous megalopolis stretching along the Eastern seaboard, somebody would have to raze a fortune in unsightly real estate and thus alienate those very elements among the rich and poor alike whom the President woos with such diligence. And yet, as Mr. Johnson views it, what is going to happen if the cities continue their uncontrolled growth, like jungle vegetation, strangling in a tangle of cluttered roads, overburdened telephone lines, inadequate services and just plain people? By the President's own account, in the next 40 years urban America will have to be rebuilt to accommodate an estimated 300 million citizens, or four fifths of the total population.

He has quoted Aristotle's words: "Men come together in cities in order to live, but they remain together in order to live the good life." The Greek sage would be struck dumb if he had to walk across Manhattan at the rush hour, find a really good restaurant without a reservation at the dinner hour, or a room in a first-rate hotel for a night's lodging, and he would be stifled by the crowds on a bus or subway.

"It is harder and harder to live the good life in American cities today," the President has written. "The catalog of ills is long. There is decay of the centers and the despoiling of the suburbs. There is not enough housing for our people or transportation for our traffic."

Some cities now have high-rise apartment complexes with self-contained shopping centers and other life-sustaining services, and the agents of these exalted stone-and-glass rabbit warrens boast that a family can live a lifetime in them without having to descend to the streets. Unless cliff-dwelling has an unsuspected therapeutic value, one might guess that this trend in vertical living could lead to a genus of gibbering neurotics, to say the least.

Inside these cities, the President says, is the "frontier of imagination and innovation." Question: What role—if any—should he propose that the federal government play in exploring this frontier, and at what

cost? What role should local government fill? What about the responsibility of the landlord and the entrepreneur? How far should the Great Society attempt to reconcile the various roles and prorate the cost? These are the hard challenges facing the President as he attempts to build his political program on the blueprints of his task forces.

Those who believe they know the President best insist that his main thrust toward the Great Society will be in the field of education. They maintain that he is by instinct and training a teacher, and that if he had been retired to private life, he would have sought out a portfolio in some university to guide and counsel young aspirants to public service.

In his delineations of the Great Society he has said that, in some places, classrooms are overcrowded, curricula outdated, teachers underpaid, talented brains wasted. He has suggested more quality in the educational system as well as more quantity in classrooms and teachers. "Our society will not be great until every young mind is set free to scan the farthest reaches of thought and imagination," he has asserted.

Question: How is this liberation achieved, and under whose aegis, the board of education's or the education commissioner's?



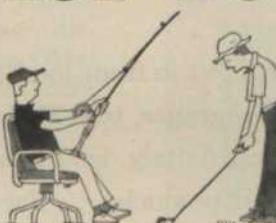
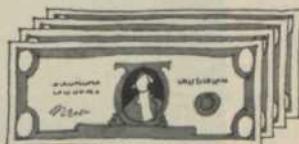
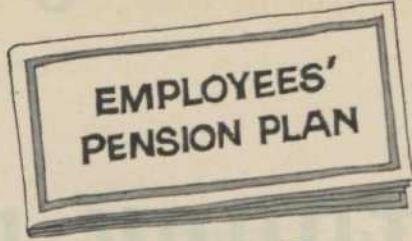
The President walks in a field of sensitive toes as he shapes up his program. He cannot avoid stepping on some of them, but he is avowedly determined to do it lightly, if at all possible.

In one crucial area, however, this may not be possible. That is the area of research and development in which the federal government now spends approximately \$15 billion a year. Since the second World War, federal R & D spending has doubled every four years, and government specialists now agree that the rate must be leveled out. The debate is over whether research or development should be the main victim of a cutback.

Defense and industry pressures exist for maintaining the present rate for development, mainly in the field of weapons systems. Those who want to see the basic research curve climbing steadily are equally vocal and insistent. Moreover, they believe that the great sociological and governmental problems posed by urban growth, by shifts in population and by the scientific and technological revolution demand to be researched with the same quiet zest and dedication now going into the so-called think factories, whose experts and scholars deal almost exclusively in the tactics and strategy of defense.

To make his Great Society become something more than a label, to give it some sort of flesh, nerve and muscle, Administration insiders say, the President may try to cut a wide swath through old habits and practices. He may, in one area or another, chart a new course altogether. But since he is what has been termed "a consensus man," his supporters believe he will move with caution and care, trying to develop the widest possible support for each proposal. And this is bound to frustrate those impatient, anxious men on his task forces who feel that delay will add complications and cost to what they consider as great projects crying for a surgical approach.

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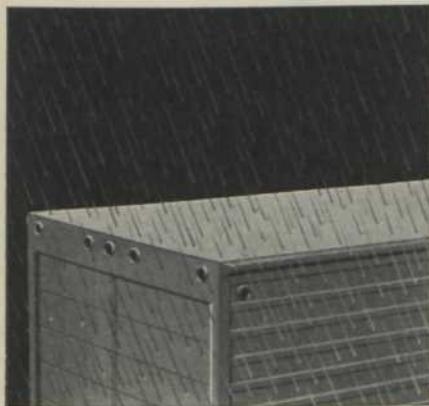
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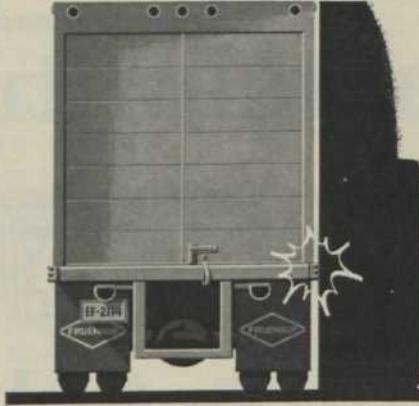
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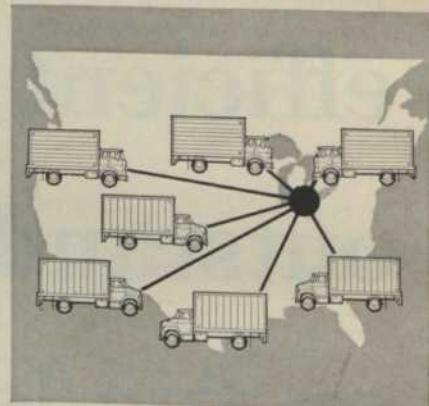
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## Time for election reform is now

BY FELIX MORLEY

FROM THE VIEWPOINT of the political scientist the outstanding feature of our recent presidential election is the fluidity of party loyalty which it demonstrated. The Democratic candidate won easily in every traditionally Republican State. The Republican scored his meager triumphs in States where Democrats in the past have faced only token opposition.

The commanding strength of this independent vote is certain, on reflection, to cast further doubt on the desirability of our archaic electoral system. It must be realized that the members of the Electoral College, who on December 14 will actually select the next President, are not legally bound to vote for any party candidate. And the less unified the major parties, the greater the possibility of maverick electors.

In 1960, Senator Harry F. Byrd was not the nominee of any party and throughout the nation received only a handful of write-in votes. Yet, more than a month after the election, 15 electors, from three States, cast their all-important presidential ballots for the Virginian. Not all of these came from disident Democrats. A Republican elector from Oklahoma also voted for Byrd, although Vice President Nixon had rolled up almost 60 per cent of the popular vote in that State.

• • •

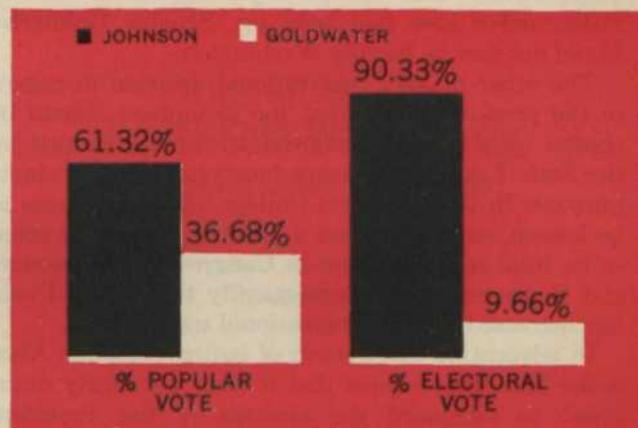
Customarily, of course, the electors honor their pledges to vote in accord with the popular verdict in the several States. This "winner-takes-all" procedure, however, has only the force of custom to sustain it. Furthermore, the practice is subject to criticism for its wholly undemocratic nature. On December 14 Senator Goldwater will presumably be credited with less than 10 per cent of the electoral vote. The "landslide" does not seem quite so devastating when it is recalled that he received close to 39 per cent of the popular vote.

This year the system has emphasized Republican humiliation. But the inequities, from election to election, operate with magnificent impartiality.

In 1948, when Secretary Wallace was cutting into President Truman's strength, Governor Dewey won

New York State with only 45 per cent of the popular vote. His state-wide lead over Mr. Truman was a scant 60,000. Nevertheless, on a minority of the popular vote, Governor Dewey captured all of New York's 47 electoral votes, as the number was then. On that election day the same ballots of the same voters sent more Democrats than Republicans to Congress from a State which was made to vote unanimously for the Republican presidential candidate.

By statute, which an Act of Congress could revise at any time, the electoral vote is not cast until "the first Monday after the second Wednesday in December." This year that is six weeks, all but a day,



"Winner-takes-all" allocation of a state's electoral vote requires reform in advance of 1966 elections.

after the popular vote. And there is no rule as to what would happen should the President-elect pass on during that anxious interval. What is certain is that if Lyndon Johnson should die before December 14 the Democratic electors would not be bound to Hubert Humphrey as their presidential choice.

One partial precedent in our history illustrates the potential confusion. In 1872 Horace Greeley was the Democratic candidate opposed to President Grant, who by the popular vote was listed as winning 286

## TRENDS: STATE OF THE NATION

electoral votes to 66 for Greeley. The latter died before the electors were convened. And in the upshot only 18 of the 66 Democratic votes were cast for Greeley's running mate (Gratz Brown) as President, with 47 voting for Brown as V.P.

Thus three serious deficiencies in the present Electoral College arrangement stand out. Its decisive vote does not reflect the popular vote with even approximate accuracy. It can materially affect, or even upset, the outcome of the popular election weeks after the whole world thinks the final decision has been made. And the freedom of the electors, emphasized whenever party discipline falters, tends to weaken the two-party system which has proved so advantageous for healthy political life.



Our haphazard way of electing a President seems the more deplorable in view of the close attention given to the problem by the Founding Fathers. They quickly dismissed the idea of direct popular election. There was much stronger, but not dominant, support for election by the Congress. After much argument, at Philadelphia throughout the summer of 1787, two major decisions were reached and embodied in the Constitution. Neither has worked out as planned.

In the first place, it was decided, the President should be a nonpolitical figure; Chief of State but not Chief of Party. To secure this end there were originally no nominees for vice president. That office was automatically filled by the runner-up in the presidential election, thus forcing the Chief Executive to work cooperatively with his principal opponent. If this rather naïve idea had held up, Senator Goldwater would not now be leaving Washington.

The other major Constitutional decision in regard to the presidency was that the incumbent should be chosen by a special Congress of electors, named by the State Legislatures every four years for this single purpose. In this Electoral College, as it soon came to be known, each State has a number of electors equal to its total representation in Congress, both Senators and Representatives. Consequently the electoral vote has increased as has congressional membership.

In advocating this system of indirect election Alexander Hamilton argued that it was "peculiarly desirable" to safeguard the election of the President against "democratic passion." To leave it to the Electoral College, he said, "will be much less apt to convulse the community with any extraordinary or violent movements." Hamilton would not have enjoyed the campaign of 1964.

The objective of a nonpolitical President lasted only through the two administrations of George Washington. In the bitter election of 1800, before there was any popular vote for President, Thomas Jefferson and Aaron Burr were tied in the electoral vote, requiring (as still holds) a vote by the House of Representatives to break the deadlock. It took 35 ballots for Jefferson to win and the confusion prompted the Twelfth Amendment, establishing sepa-

rate nominations for President and vice president. This laid the basis for the party rivalry from which the original Constitution had sought to keep the presidency free.

The Twelfth Amendment of itself did nothing to alter the system of indirect election. But as party organization developed, the electors inevitably became more partisan. Instead of being appointed as individuals by the State Legislatures they are now named as puppets by the State political organizations. Being pledged to the candidate of their parties, electors need not even be named on the ballot, although it is for them and not for the presidential nominees that the citizen actually votes.



Thus has evolved the "winner-takes-all" procedure, whereby the decisive electoral vote of a State customarily goes solidly for the leading candidate, regardless of how closely the popular vote divides. A system more at variance with the "one man, one vote" principle recently laid down by the Supreme Court can scarcely be imagined. It can actually mean, as happened to Grover Cleveland in 1888, that the candidate who gets a majority of the popular vote is defeated by the electoral vote.

There is, however, one persuasive argument for the present system, illogical though it seems. Winner-takes-all is potent in securing those heavy campaign contributions necessitated by the inordinate length and costly TV coverage of present-day contests. Supporters will pour money into a key State if there is a good gamble that their candidate may win its entire electoral vote.

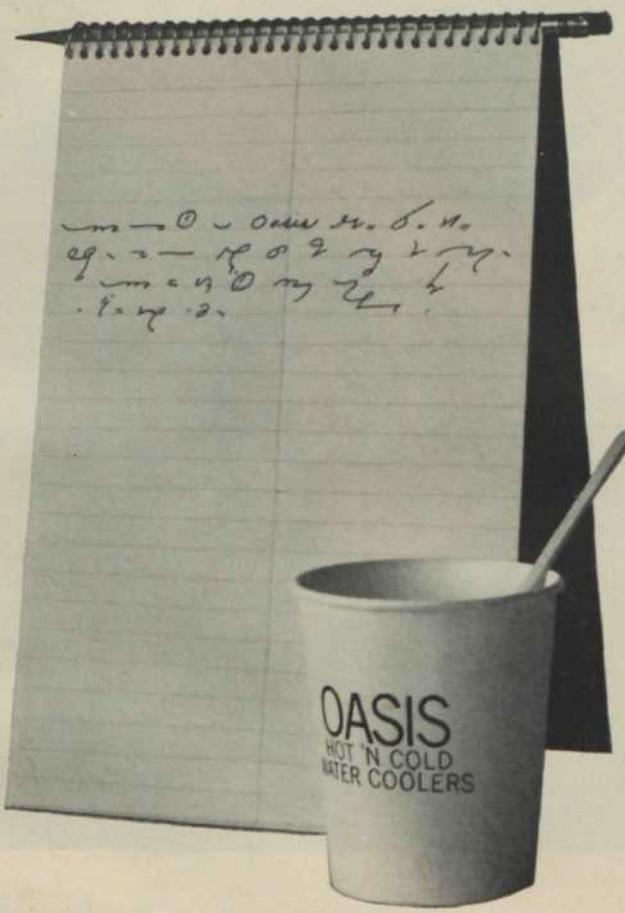
By the same token these large contributions, directed to the big cities in the heavily populated States, are a constant incitement to election fraud. Where the stake is some forty electoral votes, which is just over one sixth of the number now necessary to elect a President, the temptation for improper manipulation, in both party organizations, is almost irresistible.

The simplest reform, of course, would be to abolish the electoral vote completely, making the popular vote decisive. But this, as the old saying goes, would throw the baby out with the bathwater. It would destroy the Statehood principle which the Electoral College was intended to foster. And it would weaken local political interest.

A solution more generally favored, and doing less violence to tradition, would be to tie each elector to a congressional district, requiring him to vote for President the way his constituency goes. The two electors corresponding to the Senators in each State would then vote as the State goes as a whole.

This revision would automatically remove uncertainties as to how the electoral vote will go. It would conform much more closely with the popular vote.

The time for reform is now, right after a presidential election so decisive that Lyndon Johnson could readily put the necessary Constitutional Amendment through. The nearer to an election year, the more both political parties will hesitate to endorse a change, no matter how desirable, that might make the raising of campaign funds more difficult.



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# **Survey shows**

# **What top executives expect in 1965**

Trends in sales, hiring, pricing, other fields are projected by more than 300 key businessmen

WHILE 1964 has been the best year in our history, 1965 will be even better.

That is how a majority of key executives surveyed by NATION'S BUSINESS size up prospects for the economy next year.

From company leaders in major industries throughout America come confident forecasts of record sales, rising profits, a strong demand for new workers and continuing momentum in consumer and corporate spending.

More than 300 businessmen took part in the semiannual survey. Of these, more than half are presidents or board chairmen.

Reasons for the upbeat in the business mood vary. Many company officers base their optimism on the stimulating effects of 1964's federal income tax cut and the

prospect of further tax reductions in '65, including the one which will go into effect automatically January 1. Others cite large-scale capital investment plans of business, basic strength in the position of consumers and the scarcity of recessionary signs.

E. R. Heydinger, manager of the economics and statistics division of Marathon Oil Co., asserts, "Unless the economy is disrupted by international factors, I see little likelihood of a downturn in business within the next five years."

Some optimists concede that the short-term growth trend could be joggled by a brief downturn late in 1965 or early the following year. Russell F. Erickson, president of Rayonier, Inc., a chemical company, is one of this number. He points out that while economic forces point

toward an increasing level of business activity for the next six months or so, a pause could develop late next year as a result of overcapacity, high inventory accumulation or cutbacks in capital spending.

But the over-all prognosis could hardly be more encouraging. Asked whether they think business will continue to expand beyond next year, 252 executives reply that it will and 34 say that it will not. Twenty-eight others had no comment.

Reflecting the views of many, William F. Kelly, president of the First Pennsylvania Banking & Trust Co., Philadelphia, says, "I don't really look for a business downturn, although I do look for some slowing in the rate of growth in the next 15 months." Mr. Kelly predicts continued gains in general business in 1965, because he expects consumers to step up their rate of spending as they adjust to the tax cut.

"So far," he declares, "consumers have been saving an unusual percentage." A midwestern manufacturer succinctly states the case for good times in '65: "The average consumer's income is rising, his taxes are down, his savings are up, his credit is good, his appliances and auto need replacing—and capital appropriations are likely to be at an all-time high in early 1965."

A number of executives note that important wage negotiations will open in the steel industry next year and that a prolonged strike in that or any other major industry, should one occur, could upset present forecasts.

## **Highlights of the survey**

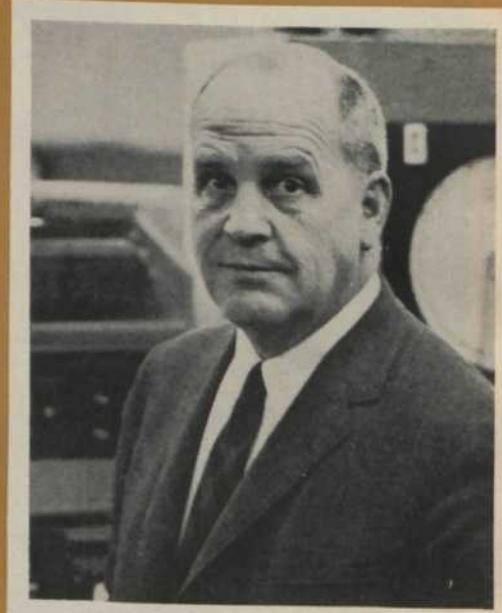
Here are principal findings of the latest NATION'S BUSINESS poll:

- One hundred and ninety-five executives expect general business activity next year to improve over 1964 and 107 look for about the same level of activity; only 12 forecast a decline.
- Two hundred and fifty-six businessmen expect sales of their own companies in 1965 to improve over 1964, 47 believe performance in this field will remain about the same and 11 others either declined to answer or had no opinion.
- One hundred and twenty-one managers expect to hire more workers next year, 160 say their

**Here are  
some reasons  
for 1965's  
optimistic  
outlook**



**Utilities:** American Electric Power Co. President Donald C. Cook believes government policies will stimulate growth.



**Metals:** President H. T. Hallowell, Jr. of Standard Pressed Steel Co. credits high product demand, good management.

employment level probably will remain about the same and 33 project a decline in their payrolls.

► One hundred and fifty-four business leaders expect their profit per dollar of sales to show improvement over 1964; 142 expect it to remain about the same and 18 anticipate a decline in profitability measured against sales.

Because they are so few in number, those executives who expect an over-all slump in the economy next year may be of particular interest. They were 12 in number and included officials of companies in automotive equipment manufacturing, life insurance, the aerospace industry, steel and metal products, mining, maritime shipping, department store retailing and utility services.

One businessman who earmarks 1965 as a year of downturn—as compared to '64—is T. F. Russell, director of finance for Federal-Mogul-Bower Bearings, Inc. He says his pessimistic assessment stems primarily from expectation of a leveling out in automobile demand in the last half of 1965.

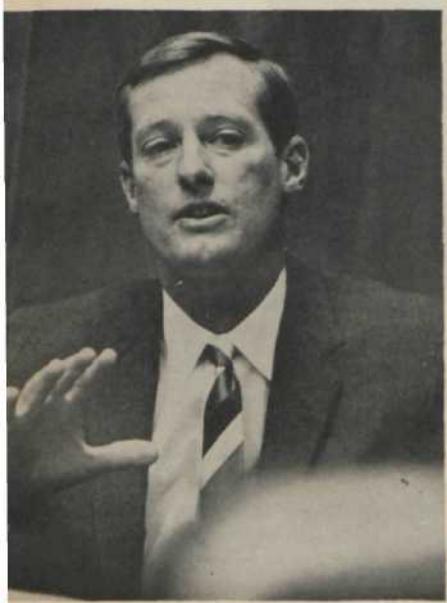
#### **What about prices?**

Executives were asked if they plan to raise their prices next year, lower them or hold them at present levels.

One hundred and seventy-eight plan to raise prices of their products or services, 128 contemplate no price boosts and eight men in multi-product companies indicate they'll raise some of their prices but lower others.

Replies show that price hikes can be expected in a variety of industries—among them machinery manufacturing, household moving, insurance, chemicals, metal fabricating, paper, building materials, food processing and banking. Eugene C. Zorn, Jr., vice president and economist of the Republic National Bank of Dallas, says his bank plans to raise its prices and then explains what this means in the nomenclature of banking: "A bank 'sells' credit. We think the economic and monetary climate will induce a firming of the cost of credit, of interest rates, in 1965."

Businessmen planning to cut prices next year are in engine parts manufacture, plumbing equipment, rail transportation, retailing, instrumentation and other fields. Yet



**Food:** Meat packer Edward Cudahy is predicting a sales increase for his firm, expects '65 to wind up even with '64.



**Chemicals:** Business and consumer spending are mentioned by President Jesse Werner of General Aniline & Film.



**Rails:** Northern Pacific Railway Co. President Robert S. Macfarlane says economy is geared at high level.

it would be hazardous to say that the answers to this question suggest a pattern since in several industries—food and insurance, for example—officials from both express directly opposite intentions.

While not indicating a specific plan, some executives—H. Thomas Hallowell, Jr., president of Standard Pressed Steel Co., is one—indicate they'll be watching with care. "We plan to be very alert," says Mr. Hallowell, "and make any change that will increase our over-all profit dollar."

Competition, obviously, will be decisive in determining next year's price structure for many industries.

#### **Profits and problems**

While there is a generally buoyant feeling among the leaders of

major companies on the question of 1965's probable profit yield, the outlook is not altogether without question marks.

Rising costs worry many corporate leaders, hence it is reasonable to expect no easing up in efforts to control costs where possible. Inflation is another specter, although the survey findings do not show it to be a pervasive cause of concern.

To a degree, other problems cited in the survey reflect conditions peculiar to a given industry or commercial activity. Bankers worry over the inflow of money and the challenge of finding most sound uses for it; insurance men complain not only of inflation but of cost pressures, competition and government controls. Regulation by and competition

with the federal government bother executives in the utility field.

Manufacturers, on the other hand, list diverse problems—the price-cost squeeze, foreign imports, the shortage of top-flight managerial personnel to handle company expansion, overcapacity and the demands of union labor. The problems of wholesalers and retailers vary widely, too. One department store board chairman, R. H. Rich of Atlanta, says that in the coming year his company's biggest problem will lie in "holding our profit ratios in the face of rising expenses; recruiting and training supervisory and managerial personnel to man two new suburban branches, or to replace personnel transferred from existing stores."

(continued on page 74)



WIDE WORLD PHOTOS

# JOHNSON CONGRESS: WHAT IT WILL DO

THE NEW, JOHNSONIAN Congress convenes in Washington next month.

It will mark a new era of federal paternalism with growing government costs and a broad range of new legislative ideas for redistributing our wealth and resources.

There are several reasons why these developments now appear probable:

The Eighty-ninth Congress will be characterized, like few predecessors in our 176 years, by its allegiance to the executive branch, partly because of the number of congressional candidates swept into office on the Johnson-Humphrey ticket.

The Johnson Administration wants more done by Washington. And never before has there been an Administration in which both President and the incoming vice president possess such a wealth of

know-how in oiling the legislative machinery.

To understand fully why a new era of government paternalism seems probable, you must first look back to the Eighty-eighth Congress.

In 1963-64, the Eighty-eighth Congress passed a tidal wave of legislation comprising almost every cardinal proposal of the Kennedy-Johnson Administration. The biggest tax cut ever, the most far-reaching civil rights bill in history, massive subsidies to education, ratification of a nuclear test ban pact, mass transit handouts and a purported attack on poverty were the mainstays.

The fact that so many significant measures became law might lead to the conclusion that Congress has done as much as or more than necessary. Instead, some executive-branch planners conclude that President Johnson has built up a

momentum of legislative successes that must be kept rolling.

Many of the new government programs enacted in recent years were foot-in-the-door measures which were intended to be enlarged greatly in future years.

There's no reason to suppose, for example, that handouts of taxpayers' money to cities and states to help pay for urban transportation will be held to \$375 million, particularly since urban areas inevitably are gaining in congressional representation. It has been estimated that transit subsidies to all large cities could well reach \$20 billion if the free spenders had free rein.

Nor is there any reason to believe that the so-called poverty program will remain a \$900-million-a-year project. Today in America more than 100 times that much money already is being channeled to the poor through existing public

and private sources. And government's definition of poor can be broadened indefinitely.

#### **Big surge in activity**

The field of education offers a startling example of accelerated government activity. The Eighty-eighth Congress alone approved education in the form of medical training construction grants, loans to students, revised vocational training, library grants, expanded manpower development and training programs, teacher training, expansion of the defense education Act, more money for federally impacted area schools, grants for research on handicapped children, an orphans' education Act and even low-cost loans to students of optometry.

There is also no reason to suppose the President won't pour on new pressures for the few major proposals Congress did not pass: compulsory federal health care for the aged under the social security system and the handouts for the Appalachian region.

Certainly enactment of these programs would bring pressure for broader medical benefits and expanded subsidies for other sections of the nation.

Although specific bills live or die within the two-year span of a Congress, many legislative ideas overlap several Congresses. The tendency is for programs gradually to gain support or overcome opposition, be okayed on a small scale, then grow and become increasingly expensive as they do.

But expansion of new and old programs is only a continuation of the recent course of the federal government.

The reason why a new era will likely commence with the new Congress is that President Johnson is now his own man with his own Congress—elected in his own right with a Congress carried to office largely by the Johnson landslide.

Johnson fans feel that this mandate is drastically different from the tissue-thin margin that put John F. Kennedy in office. In the 1960 election the Democrats lost seats in the House of Representatives, rather than gaining 38 seats as they did this time.

So in addition to the intangible exhilaration created by the election outcome, there's the tangible reality of the most top-heavy Democratic majority in Congress since the birth

(continued on page 78)



# "WHAT I EXPECT"

Here's a special interview with  
Vice President-elect Humphrey

**WHAT DOES** Hubert H. Humphrey think Congress should do?

The buoyant and liberal vice president-elect has more often been at odds with business than in agreement on his legislative stands. This would still appear to be much the case.

Now he foresees a new period of relations between business and government wherein they will march arm in arm against the troubles of our times. Whether this will happen remains to be seen.

Following is an interview with Mr. Humphrey by a NATION'S BUSINESS editor:

**What would you list, sir, as the most important issues for the Eighty-ninth Congress to act on?**

Well, the tax structure still needs to be carefully worked over, particularly with the objective of getting rid of some of what I call retrogressive taxes that are essentially consumer taxes and have a deterrent effect on purchasing. I think many of these excise taxes ought to be taken off. And the President has said something ought to be done about them.

I don't think we ought to proceed with a meat-ax approach. We have to make a very selective analysis in the light of revenue needs and what the impact will be on the business community and upon consumer purchasing. I've never been (continued on page 86)

# Borrowing will aid business in '65

Bankers and debt specialists say sales boost will result from expanding consumer credit

CONSUMER CREDIT will continue its healthy growth next year.

This is the finding of a NATION'S BUSINESS survey of leading bankers with major credit responsibility.

The growth reflects increases in the number of families, rising personal income, demand for goods, general economic growth of the nation and the expansion of the use of consumer credit for family convenience.

The rapid rise of credit has brought some warnings, but the bankers queried on the whole see no cause for alarm.

"There have been a few isolated cases where inexperienced lenders have gone after volume and have cut the rates, lengthened terms and paid little attention to sound credits," comments John L. Gibson, senior vice president of the Republic National Bank, Dallas, where lending is nine per cent ahead of last year.

"In some cases these lenders have encountered difficulties and high loss ratios and have attempted to

# Why credit controls would hurt

Experts at University of Michigan analyze the debate over establishing federal regulations

AMERICANS have been of two minds about the rapid growth of consumer credit in recent times.

Most informed people agree on the contribution it has made to our prosperity.

Yet as a nation we are still not entirely sure whether we feel very happy about people buying so much on credit. There have been many proposals for federal regulation.

In its early history, lending to consumers did have its unhappy aspects: Costs were high and advantage was often taken of borrowers' ignorance. Subconsciously, we may continue to wonder if those evil practices are lurking in the shadows.

Our skepticism also has a moral dimension. Thrifty and prudent management of one's financial affairs has always been accorded a high value in our ideology, even if not in our actions.

We have welcomed and applauded the automobile, appliance and other great industries as evidence of progress. Yet we have at the same time felt uneasy about the develop-

mend their ways. We hope that experience will cause more lenders to return to sound rates, terms and credits."

In St. Louis, Charles M. Hennebey, executive vice president of the Southwest Bank, comments:

"The national trend in delinquencies has improved over the past few months, which would indicate the consumer is still policing his buying habits and retaining control of his monthly payment ability.

"It would appear to us that lenders to some degree are tightening up their lending policies, having realized that too liberal credit can destroy the best intentions of the consumer."

He says installment credit volume at his bank has remained fairly steady in the past year.

"We attribute this to the fact that we are attempting to keep the consumer in line with his buying ability and, particularly in the purchase of new cars, requiring some degree of equity."

Dr. Charles E. Walker, executive vice president of the American

Bankers Association, describes the national picture this way:

"Despite a continuous expansion in the amount of credit outstanding since late 1961, banks throughout the country report that their consumer loans on the average are of very high quality.

"While credit demand and the repayment ability of borrowers both differ from one region to another, there are several reasons for the generally sound condition of loans.

"Sales are brisk without the added stimulus of extended repayment terms or a significant lowering of traditional quality standards.

"Auto sales are a case in point. Even seasoned experts in the hazardous art of forecasting were surprised when the auto boom continued year after year. Some were further surprised when they found that the sales boom was definitely not receiving artificial respiration from relaxed credit standards."

Dr. Walker believes delinquency rates on automobile loans, as computed by the installment credit committee of the American Bank-

ers Association, are low and the trend gives no cause for alarm about quality.

Bankers are keeping a careful eye on new loan applications, he reports. A few extensions of terms have been granted, but definitely not on the scale that occurred in the boom year 1955.

"A third factor bearing on the soundness of consumer credit is the prospect for a continuing rise in over-all business activity," he says.

"With a background of more rapidly rising incomes and expanding employment opportunities, a continuing increase in the volume of installment credit would not be surprising."

William J. Cheyney, executive vice president of the National Foundation for Consumer Credit, suggests the use of the word concern rather than worry in regard to the quality of credit.

"As long as there is consumer credit, there will be constant pressure to overstep normal guidelines in its extension," he says. "This is

(continued on page 76)

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ment which made these great industries possible—namely, making credit available to people generally.

So the business of lending to consumers has been subjected to considerable regulation. Much of this regulation is under jurisdiction of the states, many of which set a ceiling on the rate that consumer finance companies may charge. Sales financing is subject to somewhat less rigid ceilings.

Legislation recently before Congress would require that the consumer be informed of the total dollar cost and the simple interest equivalent of any installment credit transaction. It has also been proposed that the federal government limit the rate of installment credit expansion. On three occasions it has actually done so.

Although a decade has now gone by since the last period of control during the Korean War, direct government regulation of consumer credit in a normal peacetime economy continues to be a live issue. To define the major issues involved, five questions must be explored:

First: Do movements in con-

sumer installment borrowing make the economy significantly more unstable?

Second: Is direct regulation of installment borrowing essential for the effective operation of general monetary and credit policy?

Third: Would government regulation of installment borrowing enhance the welfare of consumers themselves by curbing their propensity to buy on time?

Fourth: Do the lessons from our past experience of controls on consumer credit suggest a need for their continuation?

Fifth: What are the prospects for the further growth of installment credit?

#### Credit and economic instability

The principal argument for controls is that swings in installment credit disrupt the economy.

But examination of the relation between business activity and installment credit suggests two main conclusions:

1. Debt changes do play some role in the swings of business conditions.

2. The effects of credit conditions are to push business conditions in the direction they're already moving.

There are strong reasons for thinking that these effects may often be desirable. They can be an important source of strength early in an upswing and fade out almost automatically as other sources of expansion carry the advance along. Theoretically, as full employment is approached, changes in installment credit ought increasingly to replace rather than merely supplement

(continued on page 60)

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The authors, Paul W. McCracken, James C. T. Mao and Cedric V. Fricke, are members of the faculty of the University of Michigan. This article is adapted from their book, "Consumer Instalment Credit and Public Policy," which will be published soon by the Bureau of Business Research at the University's Graduate School of Business Administration. Professor McCracken served during the Eisenhower Administration on the President's Council of Economic Advisers.

# WHAT UNIONS WANT IN '65

Organized labor will exploit increased political influence in Congress to seek the passage of more liberal legislation

YOICHI OKAMOTO



MORE liberal-labor legislation for which business would help pay tops organized labor's goals under the new Johnson Administration.

The continuing drive for higher wages, more fringe benefits and more dues-paying union members will get secondary attention in 1965.

Union spokesmen revealed in interviews with NATION'S BUSINESS editors how they hope to cash in on President Johnson's return to the White House and the election of more union supporters to Congress and many state offices. (See box, page 42.)

They expect the Eighty-ninth Congress to pass enough union-backed legislation (see box, page 50) to surpass even the outstandingly liberal record of the Eighty-eighth. That Congress is praised by Andrew J. Biemiller, labor's chief lobbyist, as the best since the New Deal years of the mid-1930's.

Top unionists also expect to strengthen their close ties with President Johnson and his Administration and to increase organized labor's influence on government at federal, state and local levels.

The unions' optimism is the highest it has been since they began to develop their political power 20 years ago. It is perhaps best reflected by AFL-CIO President George Meany.

The 70-year-old former Bronx plumber expects the tenth year of the merged labor federation, beginning Dec. 5, to prove that the merger was wise and provide an answer to those who had said that it wouldn't last or say now that the labor movement is on the skids.

"Our prestige today is greater than ever," says Mr. Meany. He's no longer surprised by a phone call at any hour from the White House, whose front door he can view from his eighth-floor office a block away.

"We enjoy a greater partnership with government and with employers, and play a greater part in community life, than ever before," Mr. Meany says.

President David J. McDonald of the United Steelworkers, whose coming labor contract negotiations with the basic steel industry are among the big question marks in the business outlook, boasts of his long friendship with President Johnson.

"Our relationship has always been good—back to his days in the Senate," said Mr. McDonald. "We in labor expect to continue to have an effective voice in government."

One unionist who may figure more importantly in the Johnson Administration is William C. Doherty, former president of the Letter Carriers. He backed Senator Johnson for the presidential nomination in 1960 at a time when most union leaders were supporting John F. Kennedy, and resigned as ambassador to Jamaica early this year to help the President push his legislative program through Congress.

"It's a known fact that (continued on page 42)

*George Meany, president of the AFL-CIO, sees power and prestige of labor movement at highest point since it began developing political influence*



*Jack T. Conway is planning ways to get more help from government and be more effective against employers*

*Former Letter Carriers President William C. Doherty, early Johnson backer, will assert more influence*



# Reds make new bid for U.S. youth

FBI Director Hoover warns of group whose aim is to sell young Americans on the communist line

THE MERCHANTISERS of Marxism have come up with a new sales pitch to American youth.

It's a softer sell than many approaches they have tried here before. But it has many Washington officials—including FBI Director J. Edgar Hoover—openly worried.

Centered on college campuses, the effort involves the establishment of socialist study and action clubs named after W. E. B. DuBois, a leftist Negro intellectual who joined the American Communist Party shortly before his death in Ghana last year.

Scattered clubs bearing his name have been in existence for more than three years, but until last June, when a national organizing convention was held in San Francisco, they lacked a national character and had little momentum.

Now the DuBois clubs are growing, and their effectiveness is growing too. So much, in fact, that FBI chief Hoover labels them as a threat. Another expert on strategy theorizes privately that the clubs may prove to be the most successful Red youth effort in the United States since World War II.

The clubs were directly spawned, to use Mr. Hoover's term, by mandate of Gus Hall, general secretary of the Communist Party of the United States.

The DuBois conclave in San Francisco this past summer was a success. A geographically representative group organized it and more than 400 delegates came in from several cities across the country.

And enough is known for Mr. Hoover to speak out even as organizing work is just beginning on many campuses.

Enough is known, in fact, to put the fledgling movement in the perspective of postwar trends, the political climate in which it operates and its likely direction in the years immediately ahead.

#### *Here's the background*

The first DuBois club was formed more than three years ago in San Francisco, notes the West Coast coordinator for the DuBois Clubs of America (DCA), in a bulletin that was published by the organizing committee.

"It was a small, semi-clandestine discussion group," he writes. "Most of the people felt it should remain so—that if we became active, their positions in the mass movement would be jeopardized."

More clubs formed, and as their number increased so did their publicity. It wasn't long before a West Coast group publicly proclaimed: "The two primary functions of the



DuBois club are to provide a forum in which to study the principles of socialism and to educate others through action within this framework."

Said another statement: "We do not believe that final solutions can be found under our present capitalist system."

What action—as distinguished from semi-clandestine study—can mean was demonstrated in mass picketing earlier this year at a hotel in San Francisco. Commenting on the demonstrations, a leader boasted: "The most significant [fact] is that they were led by a socialist youth group, the W. E. B. DuBois Club."

Specialists on communism agree that any realistic appraisal of the

DCA movement must recognize that it places heavy emphasis on exploitation of the civil rights issue. Race relations, of course, have always offered agitators ready-made controversy. But now the involvement of noncommunist youths provides a fertile area for common cause by front groups.

Yet expert observers emphasize that many DuBois club members are neither communists nor communist sympathizers, and may be completely unaware of the extent to which the movement might serve communist aims. A delegate to the convention, in fact, says he hopes the movement will enlist leftist youth of widely differing views, roughly paralleling the "popular front" effort of

the 1930's. This would lend greater strength than can be achieved by single-issue groups.

Mr. Hoover noted that the DCA symbol consists of a circle, half white and half black, a white hand and a black hand, and a dove—denoting unity, peace and brotherhood. But the DCA means the opposite, the FBI chief charges, adding: "It is this duplicity that is difficult for young Americans to comprehend."

DuBois club statements suggest that components of the peace issue include withdrawal of all American troops from Southeast Asia, a softer line on Castro's Cuba, peaceful coexistence and complete and gen-

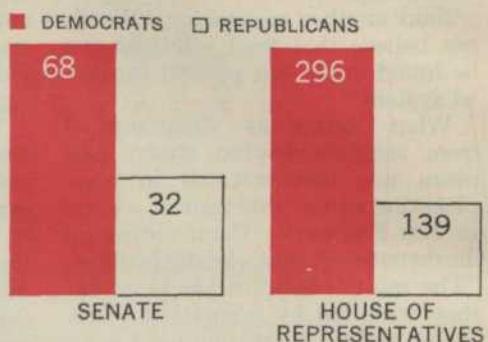
(continued on page 62)



# A LOOK AHEAD

## Special check list of major 1965 legislative issues that will affect U.S. business

Party lineup of the 89th Congress



Totals may vary slightly due to recounts before Congress convenes next January 4.

### AGRICULTURE

Direct payments.

Keep those words in mind. They're likely to be the battle cry—pro or con—of major farm warfare shaping up in Congress next year.

Price-propping laws affecting many basic crops must be renewed now or die. Wheat, cotton, corn and other feed grains. Basic sugar law runs out. So do wool, tobacco provisions soon. There's talk of tossing dairy, soybean, potato problems into legislative hopper, too.

This tempts strategists to seek a rewrite of basic federal commodity plans. If they do, the new approach may well be some form of direct payments from Uncle Sam to Farmer Jones. In short, a subsidy paid by taxpayers instead of high price supports paid by consumers.

Many economists back direct payments as basis of transitional system for curing ills of federal farm program. Others want payments along with tighter U. S. controls on what farmers can, can't do.

Traditional mutual back-scratching by commodity groups could help the Administration. But farm bloc loses power as rural population declines and farming industry gets more specialized.

### TRANSPORTATION

Another White House try at shaping a transportation bill that

will please all segments of the industry seems sure to bring an uproar.

Kennedy-Johnson Administration's first attempt met defeat in the House. A White House task force studies 1965 proposals.

Railroads signify they'll demand more freedom for setting rates. Daniel P. Loomis, president of Association of American Railroads, says roads want "maximum freedom for all to compete on prices."

Railroads also urge Congress to pass law which would enable carriers to sue in federal courts against state-local tax assessments which rails contend are too high.

Infighting begins. Water carriers' spokesmen warn they'll fight any measure "unless it is fair to all modes of transportation." Truckers oppose any legislation which appears to give railroads or others an upper competitive hand.

Trucking firms, among others, spearhead new campaign to curb illegal for-hire truckers.

### CONSTRUCTION

Showdown probably will come next summer or even later in the new session over plans for broadening federal aid for construction of new homes, communities.

President Johnson asked for many of the changes last term. But Congress set them aside, promising to consider fully in 1965.

Satellite towns—new communities built as a unit—will face debate. Housing officials want federal insurance on loans to buy land and develop it for these purposes. They also seek easier government loans for expansion of water and sewage facilities in growing areas. Bureaucrats want permission for Agriculture Department to lend, give loan insurance for nonfarm housing construction in rural areas. Opponents fear federal control over more and more land use.

Hot fight is in prospect when urban renewal comes up for review. Many want to kill the program outright. Advocates want to extend it for as much as five years. Planners seek okay to use larger share of funds on construction of non-residential buildings.

### CREDIT & FINANCE

New salvos against the Federal Reserve system will come from Rep. Patman, chairman of the House Banking Committee.

Mr. Patman plans another lengthy set of hearings early to consider proposals which would curb the independence of the Federal Reserve.

One proposal which some authorities think may win approval: timing chairman's term to coincide with the President's so the chief executive could name his own man.

Bankers may see more proposals

to enlarge operating horizons of their chief rivals, federal savings and loan associations. Changes in laws this year let S & L's make educational loans for first time. Many hope now for authority to make more loans beyond traditional mortgage lending.

### FOREIGN TRADE

Look for more business impact on foreign aid policies this coming year.

At least that's the word from aid officials. The Agency for International Development is hunting new ways for companies to help economic growth of new countries. A businessmen's panel named Advisory Committee on Private Enterprise in Foreign Aid, headed by IBM's Arthur K. Watson, will report near year-end on ways aid might flow from private organizations here to private recipients overseas. One aim: stimulate private enterprise abroad. The committee's report gets top White House attention.

Congress probably will make new try at revising anti-dumping laws and enacting tariff reclassification bill. Anti-dumping changes could give clearer definition of when an import should be barred because its price is below fair value. Reclassification bill would move products from one tariff grouping to another, altering some rates of duty. Bankers say it would adapt outdated regulations to present technology; opponents say it would open gates to imports.

### LABOR

Unions' push for more benefits will threaten businessmen's attempts to hold down costs.

Labor wants raise in federal minimum wage to above present \$1.25 hourly. Unionists talk of a \$2 floor but privately aim at \$1.50.

They seem sure to get new consideration in Congress on extension of minimum wage law to more workers. Targets: some 1.5 million workers not now covered in hotels, restaurants, laundries, dry cleaners, agricultural processing,

hospitals and logging operations. President Johnson's request for double-time pay for overtime will get renewed push. AFL-CIO contends this might eliminate half of overtime work, create some 450,000 factory jobs. Businessmen assert few new jobs would actually result but wage costs would climb.

Companion demand for reducing basic workweek to 35 hours from 40 without cutting weekly pay would equal a 14 per cent wage rise, AFL-CIO figures. Agitation for federal standards on state unemployment compensation plans will reappear.

Fights on all these will pale beside any concerted push against Taft-Hartley provisions permitting state right-to-work laws.

### MARKETING

Some of the ground rules governing how you sell and otherwise conduct your business will attract Capitol Hill attention.

A Senate Judiciary subcommittee plans to expand hearings begun last session on conglomerate mergers. These are marriages of companies in unrelated fields, often result when firms diversify. So far, the legislators haven't proposed any laws on the matter.

Other Senate investigators will dig into the ways U. S. antitrust laws can hamper American companies competing abroad. Foreign traders consider the hearings a possible important help for firms doing business abroad, especially in Europe.

Look for new attempts to enact the bill by Senator Douglas of Illinois which would regulate how consumer credit terms must be stated. Last year's measure by Senator Hart of Michigan to regulate packages is in same boat.

A House Judiciary subcommittee is slated to report on the impact of state sales, use, gross receipts and capital stock taxes on interstate commerce.

### NATURAL RESOURCES

New concern with a resource often taken for granted—water—

will grab major congressional attention. Business groups, Interior Department, others already press for new look at broad range of problems.

Major study looms on water supplies. Will we have enough water when and where we need it? Concern rises in some eastern industrial areas. Southwest sees its shortages growing worse unless something is done.

Administration and Congress likely will study far-reaching ideas for diverting water surpluses in Pacific Northwest to southwestern states. That's sure to spark a battle.

Forces favoring federal action to improve quality of water expect to push for new laws. Question will be whether regional bodies can't do it better.

Federal program for giant-scale desalting of water is expected to win a dramatic boost in appropriations if Administration has its way. Scientists claim they're on verge of making processes pay off by hooking desalination plants to nuclear-fueled power generators.

### TAXATION

Most tax attention will go to excise tax cuts in 1965, of course. And there will be growing talk of the next income tax slash. Don't expect immediate action, though. Tax cut consideration will get enmeshed with discussion of Administration ideas for granting cash to states. Would grants be continuing policy or one-shot? Why not apply any surplus to debt reduction? Or cutting U. S. taxes? Anyway, a surplus looks several years off.

Debate, though possibly little action, seems assured on proposals for a 30 per cent tax credit as an incentive to companies investing in underdeveloped countries and for a tax credit designed to spur exports.

An end-of-session flurry could come over extension of the new levy on foreign securities sold here. The tax expires at the end of 1965. Its fate hinges on what happens to balances of payments.

## UNIONS IN '65

continued from page 37

the President did an outstanding job," says Mr. Doherty. "The President has proved himself to be an outstanding, dynamic leader, and I'll do all that I'm asked to help him."

Another influential unionist will be Joseph D. Keenan, secretary of the International Brotherhood of Electrical Workers and first director of the old AFL's original political unit, Labor's League for Political Education.

Mr. Keenan, who has served the federal government in many ways as a labor adviser since World War II, accompanied the President on most of his campaign trips to industrial centers.

The Washington influence of Walter Reuther, already considerable, will increase with Hubert H. Humphrey as vice president. They had been vice chairmen of the liberal Americans for Democratic Action together until Senator Humphrey resigned after being nominated for vice president.

The United Automobile Workers' president's closest adviser, Jack T. Conway, recently took leave as executive director of the AFL-CIO's Industrial Union Department to accept appointment by the President as director of the community action phase of the government's so-called antipoverty program. He previously had been deputy administrator of the Housing and Home Finance Agency.

Mr. Conway expects to return to his union post early next year, however. He already has begun at IUD a program for expanding and making more effective labor's influence on federal departments and regulatory agencies as well as on Congress.

"Hundreds of situations come up in the government that affect our unions and their members," Mr. Conway says. "We hope to do a better job for them, to provide a service operation."

He mentioned specifically government procurement and other policies and decisions which affect jobs.

There could be others, too, involving the issuance of regulations and decisions affecting minimum wages, overtime pay, unemployment benefits; the handling of labor disputes and labor statistics, and even the rights of regulated businesses.

Increasingly, unions try to enlist the help of regulatory agencies by

appealing to them for action against employers who come under the agencies' jurisdiction.

A recent example was a request by the Communications Workers of America that the Federal Communications Commission investigate a company with which the union was involved in a labor dispute. The charge: that the company, by attempting to discontinue less profitable services and shutting down some branch offices, was not living up to its obligations as a licensed carrier.

Unions have also been pressing for action by FCC against radio and television stations which carry programs of conservative organizations which are under constant at-

tack from union leaders and other liberals.

Although Mr. Meany denies that organized labor plans to get more union people in key government posts, there's little doubt that they will, with or without a special effort.

"We're not going to make any big push for government jobs," he says. "We're getting along fine now."

"Of course, it's always possible that at times we may have a man who is especially qualified to fill a particular opening, and we'll recommend him."

Major federal appointments directly affecting unions usually are cleared with Mr. Meany—a new Secretary of Labor, director of the Federal Mediation and Conciliation

## Union influence reaches new peak in Congress

THE HOUSE will be more liberal than the Senate for the first time in recent history in the new Congress.

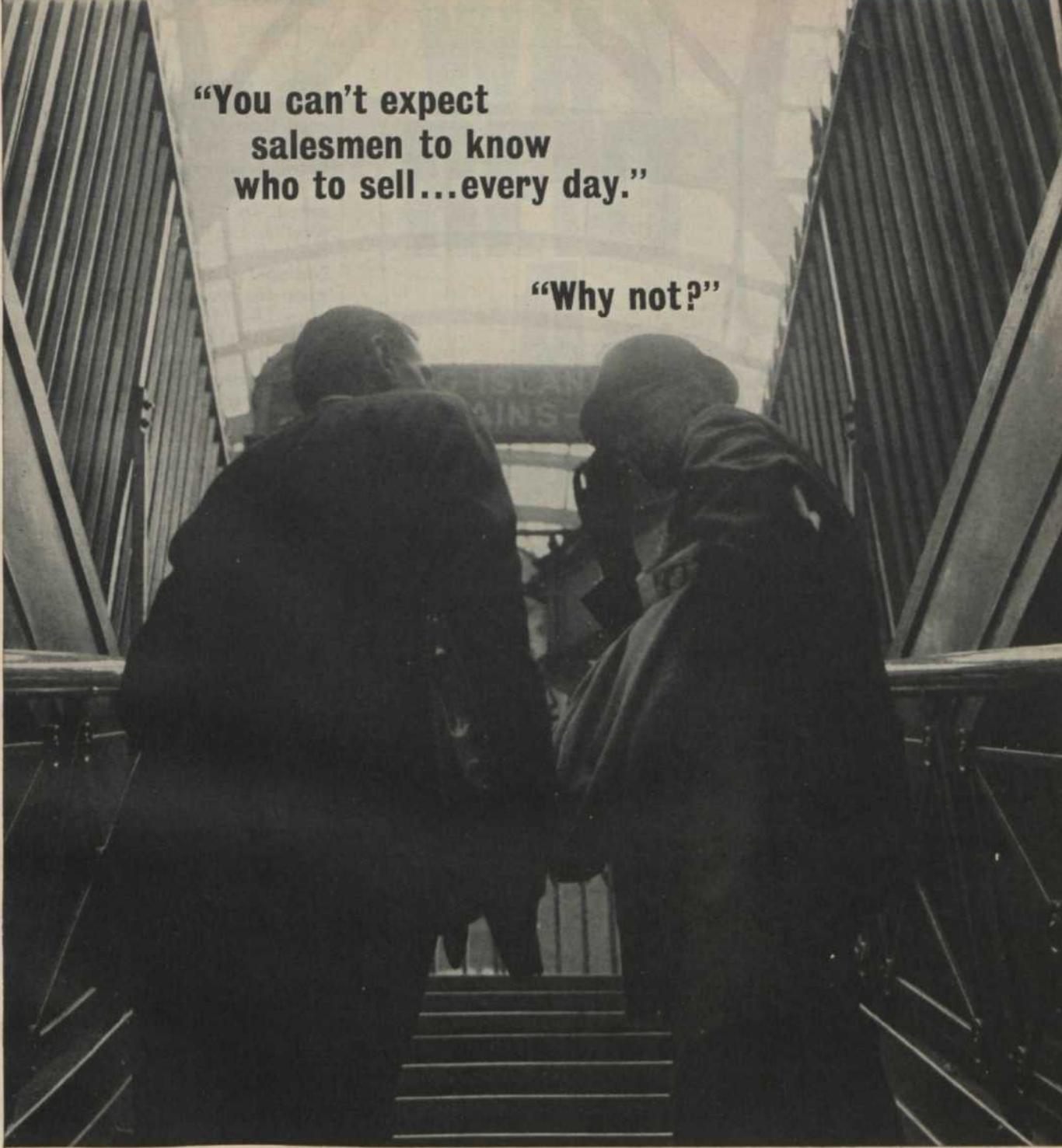
A tabulation of election results and voting records by Nation's Business reveals that 68.5 per cent of House and 63 per cent of Senate members who will make up the Eighty-ninth Congress were elected with union support, have a majority of the time voted "right" from organized labor's viewpoint, or both.

The House's liberal rating rose from 53.5 to 68.5 per cent as the number of union "friends" increased by 65, from 233 to 298 out of the total of 435.

The number of Senators with a favorable union rating remains at 63 out of 100.

The table below shows how the number in Congress favorable to unions has increased since labor began building its political machine after World War II.

CONGRESS	UNION FRIENDS IN SENATE	HOUSE	ELECTED IN
Eighty-ninth	63	298	1964
Eighty-eighth	63	233	1962
Eighty-seventh	55	210	1960
Eighty-sixth	53	221	1958
Eighty-fifth	42	191	1956
Eighty-fourth	40	190	1954
Eighty-third	36	153	1952
Eighty-second	38	183	1950
Eighty-first	44	209	1948
Eightieth	25	83	1946



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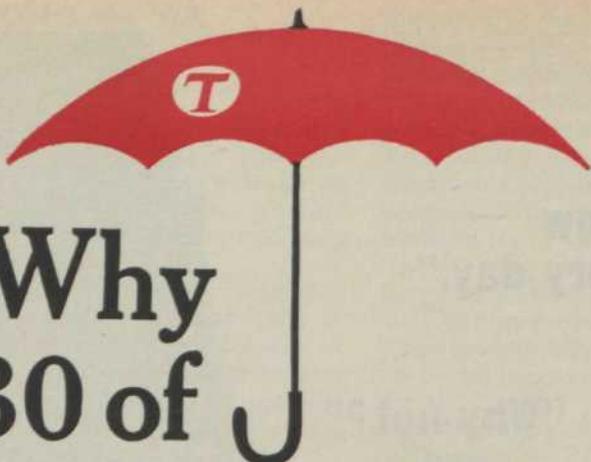
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## UNIONS IN '65

*continued*

Service or member of the National Labor Relations Board, for instance, even though the responsibilities of the latter two are divided equally between labor and management.

For example, Mr. Meany was asked by NATION'S BUSINESS whether Boyd S. Leedom would be reappointed as a member of the National Labor Relations Board when his second five-year term expires Dec. 16.

"Positively not," he emphasized. "We'll be suggesting some names to the President."

Mr. Leedom, a former justice of the South Dakota Supreme Court, was appointed by President Eisenhower as chairman of the five-man Board which administers part of Taft-Hartley.

President Kennedy replaced him as chairman with Frank W. McCollum, administrative assistant to Sen. Paul Douglas of Illinois and a founder of Americans for Democratic Action, of which Mr. Reuther is still vice chairman.

The Board handles complaints of unfair labor practices against employers and unions, and handles petitions for union representation elections.

Under the Kennedy-Johnson Administration a liberal majority on the Board had overturned many precedents and taken a posture generally agreed to be against employers and in favor of unions.

Even though Mr. Leedom's views usually put him in the minority, unionists want him replaced by someone with a more liberal bent.

**Legislation**

Legislation is labor's biggest concern right now, according to Mr. Meany. With some 65 more union supporters in the new Congress, he is moving repeal of Section 14 (b) of the Taft-Hartley Act to the top of labor's list of legislative objectives on Capitol Hill.

This highly controversial section of the basic federal labor law allows states to outlaw labor agreements which require a worker to join a union to keep his job. Twenty of them, mostly in the South, have done so.

"We'll also continue our fight for medical care for the aged under social security," he adds.

"Unemployment still has us worried. One answer is more federal spending for public works, housing and schools. Others include a short-

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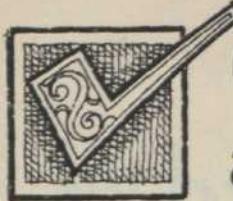
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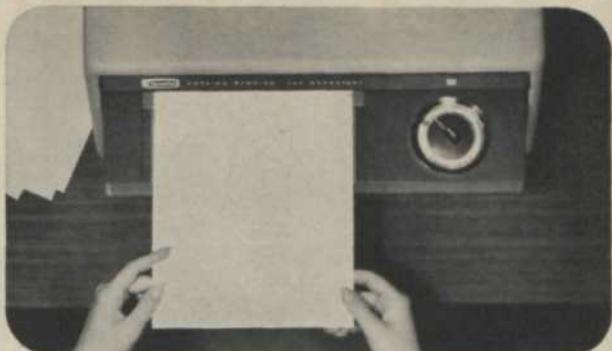
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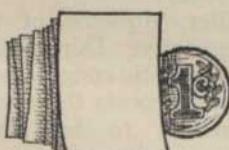
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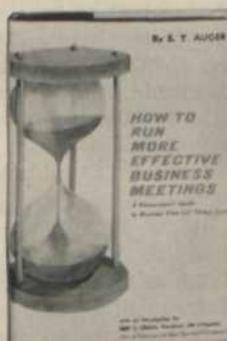


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## UNIONS IN '65

*continued*

er workweek, double time for overtime and a higher minimum wage."

Mr. Meany once branded automation as a curse on society. How does he feel about it now?

"The only solution to unemployment from automation is a shorter workweek," he insists. "This will become more and more evident as time passes."

Mr. Meany says he expects a change in Administration sentiment against a legal reduction of the basic workweek to 35 hours.

"People who were against it are beginning to hedge," he thinks. "They're now saying they want to take another look at it, and the President has indicated to us that he has an open mind although his advisers have been against it."

It is the federation president's opinion that no one really knows how many workers are displaced by automation.

He expects some reliable figures to come from the new National Commission on Automation and Technological Progress, which will study problems of automation and report in January, 1966.

Until now, President Johnson has advocated an increase in the penalty overtime pay from time-and-a-half to double time as a means of prod-  
ding employers to cut down on overtime and get the work done by adding employees.

Mr. Biemiller, director of the AFL-CIO Legislative Department and former Democratic congressman from Milwaukee, expects the unem-  
ployment problem to be eased through extensive changes in the federal wage-hour law by the new Congress.

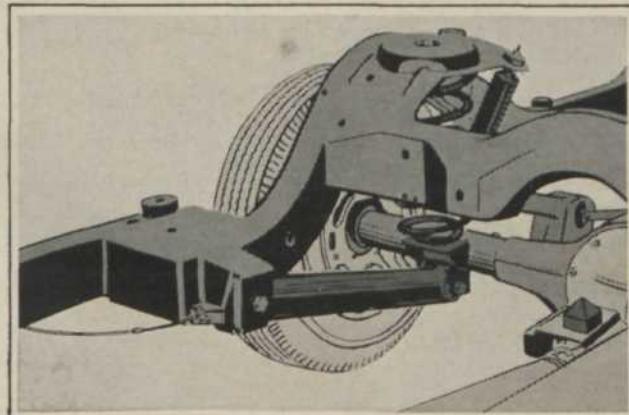
"I think there is a very good chance that the statutory hours of work will be reduced (below 40)," he says. "I also think there will be a move toward double time for overtime. I think, in addition, that the minimum wage itself (\$1.25 an hour) will be upped, and that coverage will be extended."

The AFL-CIO is seeking a 35-  
hour workweek, a \$2 minimum wage, and extension of coverage to some 1.5 million exempt employees in hotels, motels, restaurants, laundries and dry cleaning establish-  
ments, hospitals and agricultural processing facilities.

In its list of unfinished congressional business for 1965, the AFL-  
CIO also includes federal standards as to the amount and duration of



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## UNIONS IN '65

*continued*

unemployment compensation, federal aid to health, education and welfare services; consumer legislation labeled "truth in packaging" and "truth in lending"; improvement in foreign aid, and congressional reform.

### New wage demands

The big bargaining uncertainty next year will be union demands on the basic steel industry. Under existing agreements, either side may make demands on Jan. 1 or after, with a strike possible 120 days later.

The United Steelworkers' specific demands have not been announced, but President McDonald has been talking about engaging in dialogues with steel management over what he considers a need for total job security. Last year the union won three-month vacations with pay every five years for long-service employees.

Since steel workers have not had a general wage increase since 1961, there's likely to be more pressure for higher hourly pay, too.

With the industry having voiced a need for price increases, the bargaining will be watched closely by the Administration, which feels that

a general price increase is unwarranted at this time.

Major questions are whether the wage settlement would necessitate a steel price increase and whether the government's wage-price guidelines, already bent in the automobile industry wage settlements, would be broken and lead to inflationary pressures.

The election fight Mr. McDonald faces from Secretary-Treasurer I. W. Abel for the presidency of the Steelworkers, to be decided by membership ballot on Feb. 8, is bound to stiffen union demands on the industry and increase the possibility of a strike in May or later.

Other major bargaining next year will involve the aerospace, aluminum and rubber industries.

At IUD, Mr. Conway is reorganizing the staff to make it more flexible in dealing with new problems in collective bargaining and organizing.

"Industry is changing," Mr. Conway points out. "The one-industry corporation is a thing of the past. Today corporations are conglomerations of industries.

"We are trying to build a staff that will have the skill, the expertise to deal with the new corporation. We have to develop coordination between groups of unions from various industries, improve our research and develop special expertise on

## Legislation unions want most

Compulsory taxation under social security for hospital care for the aged.

Revision of the Taft-Hartley labor law to restore compulsory union membership in 20 states which now forbid it.

Increase in the federal minimum wage to \$2 an hour, with broader coverage.

A 35-hour workweek.

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More federal spending for public works.

Federal standards to increase the amount and duration of unemployment compensation benefits.

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## UNIONS IN '65

continued

benefits and other matters of general corporate policy."

Organizing is the key to union growth.

"We've had a bad period," Mr. Meany recalls. "But things have turned upward in the past year. The atmosphere is more favorable."

We may see a revival of Operation Dixie, which the old CIO proclaimed after the war, only to have it fall flat.

Mr. Meany says an organizing push will be made in the South, where unionization has been hampered by the civil rights problem.

"The new civil rights law will take a lot of the heat off us," he predicts. "We feel that most people in the South will go along with the new law. Southern moderates will assert more influence now that the election is over. They are much more tolerant than the southerners who have been doing all the talking."

Union membership has suffered considerably in the past 10 years as the blue-collar work force, most heavily unionized, decreased in relation to the white-collar group, which is harder to unionize.

But this year, according to William F. Schnitzler, AFL-CIO secretary-treasurer, the federation turned the corner on membership, having built it up to what it was at the time of the merger in 1955, not counting 1.6 million members lost with the expulsion of the Teamsters, Bakery Workers and Laundry Workers in 1957 on grounds of corruption.

It is now about 12.5 million. Interestingly, in the process of recovery, craft unions formerly in the AFL gained about 630,000 members while industrial unions formerly in the CIO lost as much.

AFL-CIO organizers are planning next year to expand coordinated pilot programs which have been tested in Los Angeles and Baltimore. More activity is planned in Maine, where there's been considerable success this year, Rochester, Atlanta and other cities.

The IUD has a separate coordinated organizing drive. It will continue special efforts in five major areas—Boston, Philadelphia, Chicago, Texas, the Carolinas—and work more closely with unions in the white-collar field, particularly government.

Most AFL-CIO officials are confident that the merger has been a

success and will survive. They point to the reduction in jurisdictional disputes, the minimizing of ideological differences between industrial and craft unions and the unanimity with which the union leaders, including several Republicans, got behind the Johnson-Humphrey ticket.

"The pitfalls which everybody saw in 1955 have been cut down to size," is the way one of them describes the situation.

The question that usually comes up when labor unity is discussed is whether the Teamsters, largest union in the world with 1,450,000 members, will be readmitted to the AFL-CIO.

Mr. Meany is confident that the Teamsters won't be taken back while James R. Hoffa remains as president.

"There's a standing invitation for the Teamsters to return whenever they conform to our rules of ethical practices," he says. "They would have to get rid of the officers who were responsible for the condition which caused their expulsion—and that means Hoffa."

"Hoffa," he emphasizes "is not eligible."

As with Mr. Reuther and other union leaders, Mr. Hoffa has no major bargaining problems next year and can devote more time to legislation and organizing. His Teamsters this year signed three-year wage agreements with 85 per cent of the trucking industry which cost an estimated 45 cents an hour over the three-year period.

His chief interest on Capitol Hill will be the coming investigation of the Department of Justice by the House Judiciary Committee. It was largely inspired by the Teamsters and aimed at former Attorney General Robert F. Kennedy, whom Mr. Hoffa accuses of harassing him. The unionist was prosecuted and acquitted several times, but currently is under two prison sentences for jury tampering and defrauding the Teamsters' pension fund.

Mr. Hoffa blames George Meany for keeping him out of the AFL-CIO.

"We could be back in," he told NATION'S BUSINESS, "if Meany would wake up and represent labor instead of employers—or retire and go back to his golf sticks." END

**REPRINTS** of "What Unions Want in '65" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Please enclose remittance with order.

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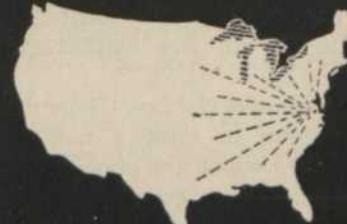
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# COMING: NEW CHALLENGE TO U.S. TRADE

Underdeveloped nations seek preferred treatment

THE GOALS of the world's less developed countries offer a crucial challenge to American businessmen.

The challenge lies in helping these nations achieve their aim of economic development and a greater share of expanded world markets.

Potential problems for U. S. business, however, lie in the means which the developing countries want to use to reach this end—means which often would run counter to our free market system of international trade.

The United Nations General Assembly is expected this month to forge a new piece of international machinery which the poorer countries hope will boost their economic growth by changing the present structure of world trade in their favor.

The preferences sought by the less developed countries, if put into practice, could have far-reaching implications for United States companies at home and overseas. The new trade order could mean increased imports into the U. S. and increased opportunities for American businessmen to sell their products in Latin America, Asia and Africa.

The emerging countries' demand for basic revision of trade policy raises questions which are of vital importance:

What will be the future role of international commodity agreements in stabilizing primary product markets? Will commodity agreements lead to higher prices for foreign raw materials critically needed to maintain a high production level in the United States?

Will the traditional most-favored-nation principle survive as a cornerstone in the trade policy of free, industrialized nations?

Will U. S. domestic and overseas markets be affected by the preferential entry into the industri-

alized nations of manufactured and processed goods from developing countries?

What will happen to the General Agreement on Tariffs and Trade (GATT) if new UN machinery is set up to act as a forum on world trade?

#### **Prospect—majority power**

Actions of the UN General Assembly take the form of recommendations and are not binding on member countries, and this will also be true of the new UN trade body. Its recommendations, however, will carry the intangible force of the unified and overwhelming majority vote commanded by the developing nations.

The UN will be entering a new field—trade, tariffs and commercial policy—in depth. This is an area where matters have been handled in the past by negotiation rather than voting. The United States hopes to encourage conciliation rather than voting in many cases, and has stated clearly that it will expect the new body to serve all its members and not represent the interests of only one group of nations. A conciliation procedure to protect the interests of the industrialized minority has been worked out by a 12-nation committee.

The United States, of course, will not accept any measures which would violate its basic trade interest. Experience has shown, however, that when countries sit down to discuss and debate issues of mutual concern the policies of participating governments often tend to change.

Demands of the less developed countries for preferential treatment in their commercial dealings with the industrialized nations "cast an air of uncertainty over international trade," Norman P. Ness, vice president of Anderson, Clayton and Co., points



UNITED NATIONS

*Raul Prebisch of Argentina, who is expected to head the new United Nations trade machinery, signs the document which recommended it*

out. "The chief consequences will be to disturb our existing relations and practices, though probably nothing substantive will come of these demands in the near future."

The impact over the long term, however, is much less clear. G. Griffith Johnson, assistant secretary of state for economic affairs, says:

"The major task before us, and at the same time the most difficult one, clearly lies in our relationship with the developing countries. Here in particular, economic matters are mixed with an exasperating array of political and military complications, combined with a psychological revolution which has far exceeded the ability of economic realities to support it.

"There is general recognition of the pressing need for accelerated development and of the vital interest of the advanced countries in having this take place. But the knowledge of how to do it, in the enormously varied conditions which obtain, is something less than perfect."

#### **Conference revealed aims**

The desires of the developing nations were crystallized earlier this year at the United Nations Conference on Trade and Development (UNCTAD). More than 2,000 trade ministers, foreign policy officials and economists from 119 countries met for three months in Geneva in an effort to draft new methods by which expanded trade can help boost the economic growth of less developed countries.

The conference was dominated by 75 developing nations. Their voting majority again and again pushed controversial questions to a vote and then prevailed over the 20 industrialized nations led by the United States. The 11 communist bloc countries found themselves in most instances in the same

position as the other industrialized nations. Significantly, the UNCTAD meeting marked the first time in recent history that the nations of the world have split along North-South rather than East-West lines.

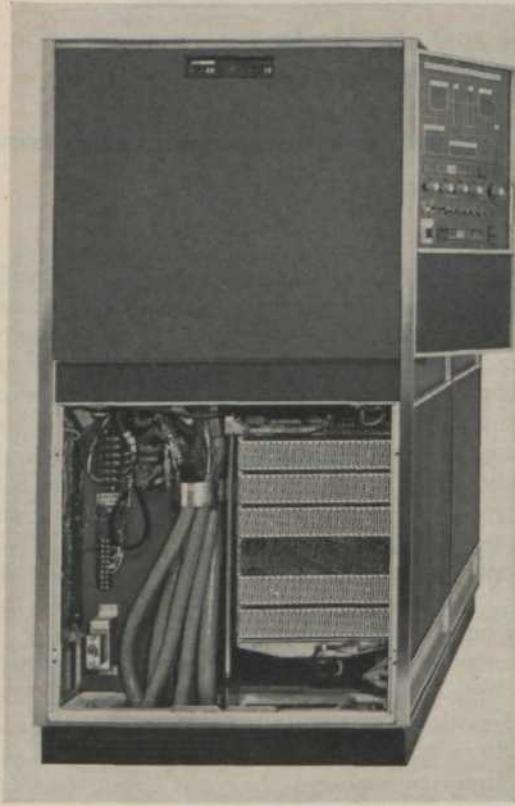
The recommendations drawn up at the conference, which actually represent an accounting of what the less developed countries want from their industrialized brothers, will be considered by the United Nations General Assembly. The poorer countries command the same voting majority here.

An important realization which came out of the conference, however, was put into words by the delegate from the Philippines:

"It is an obvious fact that on the basis of simple majority the developing nations can outvote the developed nations at any time. Yet what will it avail . . . to reach decisions by simple majority if the defeated minority includes the very countries from which concessions are expected?"

The most important recommendation of UNCTAD, reached in an eleventh-hour compromise, would set up trade machinery within the United Nations. Once approved by the General Assembly, it will convene a UN trade conference every three years starting in 1966, establish a new 55-member Trade and Development Board and set up a permanent UN staff to service the conference and Trade Board. The Board, meeting every six months, will be charged with implementing all UNCTAD decisions. Elected to the first Board were 31 developing nations, 18 industrial countries which include the United States, and six communist countries.

The less developed countries and the communist bloc would like to see the new UN trade body dominate the General Agreement on Tariffs and Trade (GATT). U. S. officials, however, see no likelihood of this



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## U. S. TRADE

continued

happening. They point out that the United States will not allow its vital trade interests with other industrialized nations to be dictated by an agency dominated by the developing countries.

### Many people, little money

The problem of the emerging nations is that, with two thirds of the world's population, their joint income is roughly one tenth that of the industrialized countries. Continued population increase further reduces their per capita income to levels which frequently fail to provide the simplest elements of life. This is an explosive situation, both for the governments of these countries and for the rest of the world.

Income from exports is needed by these countries to buy the manufactured products required for economic growth. Their export earnings, however, are lagging behind increased total world consumption. The trade gap between their export earnings and import needs is growing wider as the price of manufactured goods rises in the face of a decline in the price of the primary commodities which constitute nearly 90 per cent of their exports.

In brief, the emerging nations need more funds with which to finance their growth. These funds must come either from greater export earnings or from an increase in aid and investment from the industrialized countries. The developing countries are seeking both and have united to make their demands heard.

"This is an enormous force which is rising up and trying to articulate itself," emphasizes Dr. Raul Prebisch of Argentina, who was secretary-general of the UNCTAD meeting and is expected to head the new UN trade body.

The direction which the prospective UN machinery is likely to take can be predicted from an examination of the more significant trade measures urged by the developing countries. These include:

- Free entry of their primary commodity exports into industrial countries and agreements pegging commodity prices.
- Preferential entry of their manufactured and semimanufactured products.
- A compensatory payment system for commodities and preferences in

the invisible areas of trade such as loans, interest rates, insurance and shipping charges.

The problem of fluctuating and often declining commodity prices is a serious one for the countries which need export earnings to finance their development. International commodity agreements aimed at stabilizing prices already exist in such materials as coffee, sugar, wheat and tin, and efforts have been made to reach agreement on cocoa. The emerging nations would like to add agreements in other commodities which they produce, including tea, bananas, rubber, oil seeds, copper, iron ore and the like.

In seeking more international agreements, less developed countries want not only to stabilize the prices of their primary exports but to raise them as well. They recognize the logic, however, of the industrialized nations' argument that boosting prices will tend to encourage the shift to synthetics and substitutes, stimulate overproduction and discourage the poorer countries from diversifying their exports. They have endorsed Dr. Prebisch's contention that the real answer lies in compensatory financing arrangements.

The United States position is that commodity agreements must be approached on the basis of individual merit. Few additional agreements or price boosts are expected by U. S. authorities.

There probably will be an intensification of case-by-case study of commodity problems, resulting in a better exchange of information to aid market promotion.

### Ideas in collision

The most-favored-nation principle on which U. S. trade policy is based lies directly across the path of the emerging nations' efforts to secure preferential access to industrial markets for both their commodities and manufactured and semimanufactured goods. Under this policy the United States applies the same tariff treatment to all countries on a nondiscriminatory basis.

The less developed countries seek elimination of all tariff and nontariff barriers to their exports. The United States has been working toward an across-the-board lowering of tariffs and other trade obstacles in the current Kennedy round of GATT negotiations. Though many of them are signatories to GATT, the emerging nations are impatient with its progress and are pushing

for faster action and preferential treatment.

Though their exports are now largely raw materials, the future development of these countries will depend on expanding exports of whatever goods they are able to manufacture. These are presently confined to light industry and include such areas as textiles and clothing, leather goods, wooden furniture, glass products, simple electrical appliances and radio receivers, transistors, sewing machines and sporting goods. A number of countries would like to raise their exports of semimanufactured metals such as iron and steel, copper, lead and tin.

A major line of argument by the developing countries is that the industrialized nations should get out of lines of light manufacture and limit themselves to heavy industry and sophisticated products. They also urge that development of synthetics be curbed. These proposals are opposed by the industrialized countries.

The degree to which American businessmen will be affected by this drive for preferential treatment for exports will depend on how strongly the United States holds to its most-favored-nation policy. U. S. officials say that it is expected to remain an important plank in our trade platform. If any tariffs should be relaxed, import quotas would probably be used in the event that U. S. producers faced serious damage.

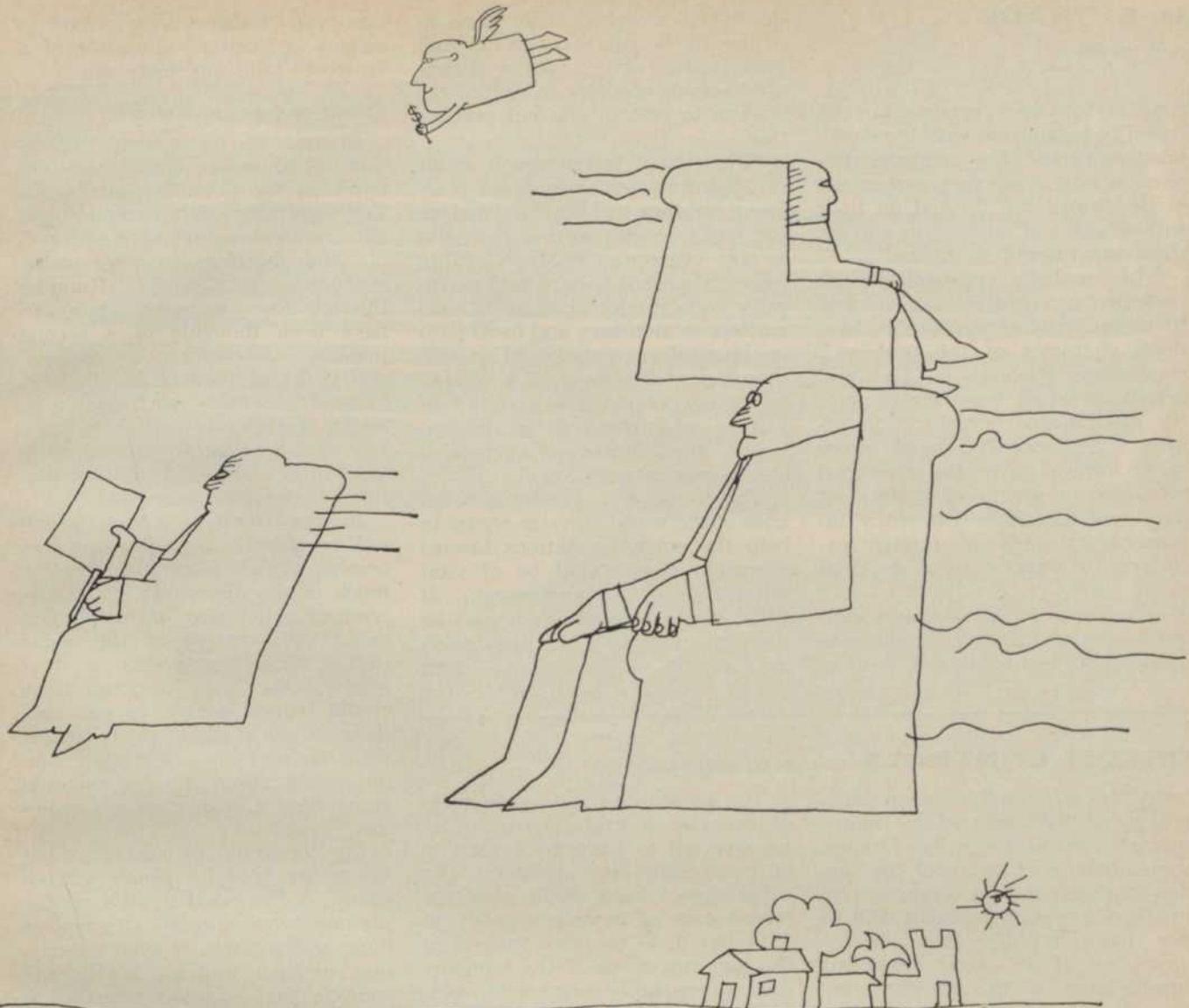
In the area of so-called trade invisibles and finance, the less developed countries are arguing for a number of measures. Among the most important is a system of automatic compensatory payments to help them through periods of falling commodity prices.

Unwilling to accept this concept, the industrialized nations nevertheless agree that additional financial measures are needed. New methods of long-term financing are under study by the World Bank to supplement steps taken by the International Monetary Fund to increase its short-term lending program.

### What poorer nations want

The developing countries point out that they lose funds through the payment of shipping charges and insurance fees. They seek aid in developing their own merchant fleets and also want arrangements which would give preference to their own insurance companies.

In a broad sense, the problem faced by the emerging nations is not so much a lack of market oppor-



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## U. S. TRADE

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tunities for their exports but an inability to compete with the developed countries. The main determinant in how much they can export in the future will depend on their willingness and success in solving their own internal problems.

"Any realistic approach to the trade problems of the less developed countries must recognize the two-sided character of the problem," emphasizes Richard N. Gardner, deputy assistant secretary of state for international organization affairs. "Undoubtedly, much more needs to be done by the developed countries to assure that the less developed countries can earn increasing amounts of foreign exchange to finance their development."

"But the problem of exports cannot be divorced from the problem of production. The leaders of the less

developed countries will have to deal with the gap between rich and poor in their own countries if they are to create domestic markets large enough to sustain efficient production.

"They have talked much about restructuring world trade in their favor, but they will also have to face the task of restructuring their domestic economies," Mr. Gardner says. "This means hard and politically unpalatable decisions on such matters as monetary and fiscal policy, land reform, population growth, the efficient development of human resources, more encouragement of private enterprise and the elimination of inefficiency and corruption in public administration."

The direction in which the countries of the world move in trying to help the emerging nations toward economic growth will be of vital interest to U. S. businessmen. It could have a far-reaching impact on the framework in which they operate.

END

## CREDIT CONTROLS

*continued from page 35*

ment the other influence on business conditions exerted by movements in credit generally. Finally, some of the concern about the burden imposed on the economy by the tendency of installment debt to rise more rapidly than income grows out of an overly simplified consideration of this growth process.

Does the factual evidence suggest that the economy is more unstable because of installment credit? Does it cause instability, or does it merely amplify cyclical swings that originate elsewhere? How important is it, compared to other destabilizing influences?

The evidence does not indicate that credit movements are a major source of changes in general business conditions. In the postwar years they have been markedly less important than, for example, swings in inventory accumulation during reversals of business activity. In recent years annual changes in installment debt outstanding have been equal to about one seventh of the annual changes in total production. And they have accounted for less than one tenth of the total funds made available to borrowers in recent years. If the expansion of this debt displaced some other types of borrowing, as seems quite probable, the net effect on the economy was still smaller.

The present general instruments of monetary control can reasonably be expected to limit the expansion of total credit appropriately. The expansion of bank credit since the reactivation of monetary policy in 1951 has done no more than meet the long-run needs of the economy during reasonably prosperous years. The Federal Reserve has been fully capable of bringing substantial pressure on the money market when it deemed that to be good economic policy. Drawing upon what would otherwise have been idle balances does not seem to have constituted a major source of financing for this type of borrowing.

Lack of sensitivity to general credit conditions on the part of a specific credit demand is no proof that something is wrong, but it is important that installment borrowing, though probably below average in sensitivity, is still responsive to changes in general monetary policy and credit conditions. Finally, annual changes in the demand for credit should be well within the capacity for adaptation of our highly developed financial markets.

The case for direct government regulation of installment lending in order to make general monetary and credit policy effective is not a persuasive one. Nor is the case for

this type of direct intervention to achieve a "better" allocation of a "correct" total any more so.

### Credit and social welfare

Interest in government regulation of consumer credit has centered on the possible contribution that regulation might make to more effective monetary and credit policy and therefore to more stable economic conditions. Running through the discussions, however, have been thoughts of a second possible contribution to national policy. In addition to helping stabilize the economy, such regulation might also induce families to manage their financial affairs more prudently and avoid the temptation of excessive borrowing.

In short, there is a broad social welfare objective as well as an economic stabilization objective in much of the discussion about government regulation of installment credit. The nature of the social welfare objective seems at first blush to be fairly obvious: Easy credit tempts people to get over their heads in debt. Or it tempts them to buy things that they cannot really afford, forcing them to go without things that are really more important.

But how do we decide what things are good for people to consume? A free society rests on the premise that people themselves must be the judge of what contributes to their welfare. We do not concede that whoever happens to be in government has the right to impose a pattern of consumption on the people.

Second, installment credit is not a poor-folks phenomenon. People in the middle and upper-middle income brackets are the heaviest users of this type of credit.

Third, estimating the burden laid on consumers by growing commitments for repayment turns out to be a complex matter. Since extensions have continued to exceed repayments, the total operation of installment credit has augmented purchasing power available to consumers. An examination of changes in the consumers' total financial picture shows that they are continuing to add substantially more to their assets than to their liabilities. Moreover, there is no assurance that money not spent this way would be spent in better ways.

There is, finally, the question of delinquencies and defaults. If the operation of this type of credit is leading to a high incidence of delinquencies that could be avoided



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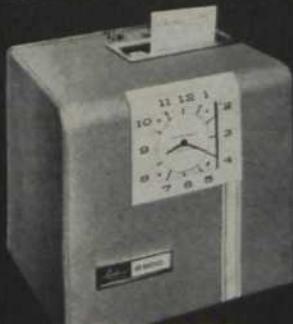
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## CREDIT CONTROLS

continued

by regulating terms, the case for regulation would be strengthened. Other things remaining equal, a significant reduction in the making of loans destined to go into default would certainly contribute to consumer welfare.

The real question is whether a government regulatory system could be devised that would prevent these loans without at the same time imposing excessive restraints on consumer lending generally. The varied reasons for defaults and the remarkable similarity of good and delinquent loans make the feasibility of such a regulatory system doubtful.

### What's ahead

The question of growth must be faced in any consideration of the desirability of direct government controls over credit. If it seemed probable that this type of credit, unrestrained by controls, would leap ahead, the case for control would be stronger.

Several forces may produce a continued substantial rate of expansion of installment debt in the decade ahead. For one thing, people are viewing the use of credit more favorably. The proportion who thought the use of installment credit was a good idea increased about one fifth from 1954 to 1959.

A second factor making for substantial further growth is the rise in incomes and the shift of spending units from the lower incomes,

where use is low, to the middle incomes, where it is higher. Presumably the poor cannot borrow and the rich do not need to.

A third source of expansion is simply the credit industry's ingenuity in developing new uses of credit, and there is no reason to assume that this process is at an end. The credit industry has come a long way since its early days when borrowing indicated financial crisis for a family. It has developed to the point where it now regularly provides funds to buy the vast array of durables and even family vacations, airline tickets and college educations as well. Further innovations will have an expansive effect on the demand for credit.

Certain trends in the economy may well work to slow down the rate of credit expansion. One such development is the tendency since the mid-1950's for consumers to spend a growing proportion of their incomes on services and a declining proportion on purchases of non-durable and durable goods.

Finally, the installment credit business has been in its rapid growth phase during recent decades. In the long run, no growth industry grows more rapidly than the economy as a whole, and installment credit is not likely to be an exception.

Our projections suggest that consumer installment credit may reach the neighborhood of \$75 billion to \$80 billion by 1970. This implies an annual growth rate of about seven per cent during the 1960's, compared with a rate of 10 per cent during the 1950's.

END

## NEW RED BID

continued from page 39

eral disarmament. (Russian communist writings describe peaceful coexistence as possible only temporarily, since it would lead to the inevitable triumph of communism, leaving nothing else with which to coexist.)

One leaflet distributed at the June convention blamed the cold war on the American government, under both Republican and Democratic administrations. Sample reasoning:

"The Truman Administration leveled the first shots at the Soviet Union by bombing Nagasaki and Hiroshima."

The youth groups tie in a number of domestic questions by arguing that economic and social problems at home cannot be solved

except in the international climate they prescribe. Citing poverty and unemployment as critical issues, they urge diversion of defense funds into schools, public housing, urban renewal and job-creating projects.

### What of tactics?

The 400-plus delegates at the San Francisco DuBois clubs' convention responded with a standing ovation when their main speaker, a civil rights leader, said that sit-ins and mass demonstrations would not decrease as a result of the civil rights bill's passage but increase in efforts to enforce and expand it.

Other printed material gathered at the convention contained a clue to tactical follow-up: "The law at the end of a billy club? An order



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## NEW RED BID

continued

that produces ghettos? Not us, baby, that's a farce."

Observers expect many clubs, however, to be somewhat moderate in both preachings and practice to avoid alienating potential recruits.

Close observers describe the DCA as reflecting the postwar fortunes of domestic communism this way:

The Labor Youth League, the major Red youth effort, fizzled out in the mid-fifties, paralleling a general decline in outward activities of the party as a result of government loyalty programs and internal security legislation, plus exposure of the nature of communism at home and abroad. Party leaders, conscious of the need for new blood, launched a number of organizational drives without much success.

Passage of time and court decisions hampering antisubversion efforts like passport control and enforced party registration have helped erode public concern. Attacks on rightist fringe groups tend to confuse the public further.

Valuable groundwork for evangelizing among youth has been the on-campus speaking program under

which top American communists like Gus Hall—indicating the priority given the program—made 150 speaking appearances at colleges across the country in the past three academic years.

As early as 1962 *The Worker* quoted Mr. Hall's boast that: "During the past six months I have spoken to some 50,000 students and youth directly, and through their newspapers to possibly a half million, and through the local radio, TV and press to millions of Americans."

He once outdrew the usual turnout for a football game at one university. Such crowds become useful, even if they reflect more youthful curiosity than leftward leanings. The communists then boast: "It's clear from this that the students wish to hear the communist viewpoint from bona fide spokesmen. Students in their search for knowledge apparently are not satisfied to learn about communism from anti-communists."

Red speakers hope to achieve one purpose—putting a clean shirt on the communist, showing students that he is not a wild-eyed, bushy-haired bomb-thrower. They say that they, like their young listeners, are native-born Americans who've lived here all their lives and are striving for a better nation and world. They smile and joke—Gus Hall described Nikita Khrushchev as a sensible, reasonable man with his feet on the ground, "though not always his shoes."

If a speaker is banned, communists scream academic freedom, lament that they are denied a platform at an institution of learning in an allegedly free society, and add that Hitler suppressed communists in Nazi Germany. The controversy this can raise far beyond university grounds can give the absent communist more mileage than he'd gain by actually making an appearance.

A forum to present communist thought in the "free market place of ideas," nevertheless, gives the cause a nudge toward one vital goal: public recognition or acceptance as a legitimate political party without alien ties. If this idea prevails, the next step would be repeal of anticommunist legislation, abolition of the House Un-American Activities Committee and an end to FBI surveillance of party activity.

Recruitment is not the primary goal of this program. If the speaker can spread a little discontent, plant doubts regarding some vital U. S. policy, neutralize opposition or just

reduce hostility, it's worth the travel fare.

Particular impetus for a youth movement comes from the problems of school drop-outs and other unemployed lacking the skills to get jobs, plus growing public awareness of those problems. "Half the jobless in our country are under 25," potential sympathizers are reminded. "Almost two million or one third of the total are under 20."

Such statements suggest that DuBois clubs will attempt to reach the youthful unemployed as well as to organize the college student. Communists have long sought to capitalize on the disaffection of those who foresee a bleak future.

### Resentments exploited

College students are tidily rounded up on campuses, however, while displaced youths are harder to find. This perhaps explains the zeal of alleged communist sympathizers to infiltrate a program like Mobilization for Youth, a joint federal, local and private effort to combat delinquency in Manhattan. Such programs, regardless of their merits, provide a rare line of communication to large numbers of those whose resentments the communists would exploit.

A factor further favoring the DCA organization is the participation of youths with no formal Communist Party affiliation, a direct consequence of the party's lean recruiting days. Some who attended the San Francisco convention are children of communist old-timers and members of suspected front groups and other left-leaning organizations. And the group received support from such sources as an international communist youth organization, a domestic group publicly identified as a front and an expatriate American communist now living in Cuba.

Whether the movement makes real headway may depend on its ability to portray itself as an independent, domestic organization. It's trying, as reflected in one chapter's statement: "We . . . believe that we play a legitimate role within the framework of American society. We try to bring a socialist perspective to contemporary issues and we endeavor to act in a manner that would place us in the midst of the most democratic struggle of the American people today."

Such pronouncements ring false to many adults. But what about youth? Alexis de Tocqueville has observed that "Every fresh generation is a new people." **END**

## Facts about Wisconsin

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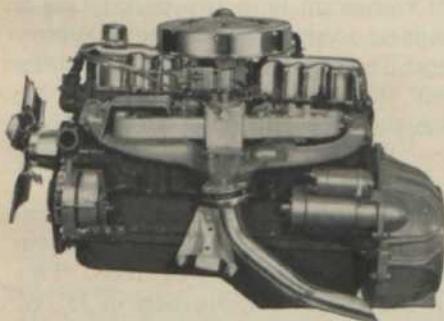


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# Better skills will improve job outlook

Manpower Administrator John C. Donovan tells how government and business can work together to provide employees you will need

IN THE FIELD of manpower, business and government face a two-fold challenge.

More jobs must be provided and workers trained to fill them to reduce unemployment while the labor force continues to expand.

Workers must be trained and skills upgraded to develop the know-how to support technological advances which are becoming increasingly important to business success and the country's welfare.

To give you fresh insight into the manpower problem and what's required to help solve it, editors of NATION'S BUSINESS interviewed John C. Donovan, head of the new Manpower Administration in the U. S. Department of Labor. His office is responsible for all problems and federal planning involving employment, apprenticeship, training and automation research.

Before becoming Manpower Administrator earlier this year, Mr. Donovan was executive assistant to Secretary of Labor W. Willard Wirtz and previously administrative assistant to Sen. Edmund S. Muskie of Maine and professor at Bates College.

The interview follows:

**Mr. Donovan, what's the biggest manpower problem business will face in the years just ahead?**

The changing job mix in an ever changing and accelerating economy. Business is discovering the need for higher and higher degrees of skill. An employee working on one task this year may five to six years hence be working on another task involving a quite different skill.

**Does the government have plans for coping with this problem?**

It is a problem for government, but also largely for the private sector of the economy.

The government's program is in two parts: One is training and retraining workers under the Manpower Development and Training Act of 1962. We in the Labor Department select individuals for training in cooperation with the Department of Health, Education and Welfare. We also try to place the individuals in jobs after training.

The other part, just getting under way, is a complete revamping of our vocational education system under the Vocational Education Act of 1963. This is administered in the Office of Education of HEW. This law is probably the most significant development in vocational education in a quarter of a century.

**What does it provide?**

It provides money and the means of rebuilding, in many cases restructuring, vocational institutions which are run by the states and local communities. It provides federal funds on a 50-50 matching basis and encourages the states to develop a vocational educational system that is geared to the economy of today and not that of the late Nineteenth or early Twentieth Century.

**What do you expect from business?**

I expect that private management, by and large, will continue to train and retrain its workers as it

sees the need developing. I want to emphasize what was recently learned by a study in Chicago. It was found that enormous changes are going to have to be made in the education and training of workers, not only in Chicago but all over this nation. It concluded that we either will have workers without jobs because their skills are obsolete or we will have jobs without workers because people haven't been trained for them.

In commenting on the study, David M. Kennedy, a banker and chairman of Chicago's committee for economic development, said:

"If there is anything that really comes through clearly, it is that there will be large numbers of totally new jobs that no one is now being trained to do.

"Unless we gear our educational system both in the schools and in industry to start training people for these jobs, Chicago and the country will be hard-pressed to produce the goods and services that will be needed in 20 years."

Everything that we can see and learn reinforces that general position.

**In view of the rapid changes in needed skills, can we ever really keep completely abreast of the skill needs of the work force?**

There ought to be enough technical and managerial skill in our society to cope with this problem. I admit it is very complicated. It is not easy. But sending a man to the moon is not easy either. If we apply ourselves to difficult, complicated problems, our whole American experience has been that we usually will come pretty close to meeting them.

**What's been happening in the job-training programs you operate now?**

For a year and a half under the Manpower Development and Training Act we have been training and retraining some of the unemployed for jobs in this changing job market. In more than 5,700 projects in all of the 50 states we have approved the training of more than 302,000 workers for higher degrees of skill.

**What studies have you made of the impact of automation on jobs?**

Within the Labor Department we have done about 100 studies of plants and industries. One done by the Bureau of Labor Statistics of technological trends in 36 major industries is being brought up to date and expanded.

The impression one gets from it is that there is one sizable group of major industries in which production will increase and jobs decrease over the next decade.

There is another significant, large group in which production will increase and jobs also will increase.

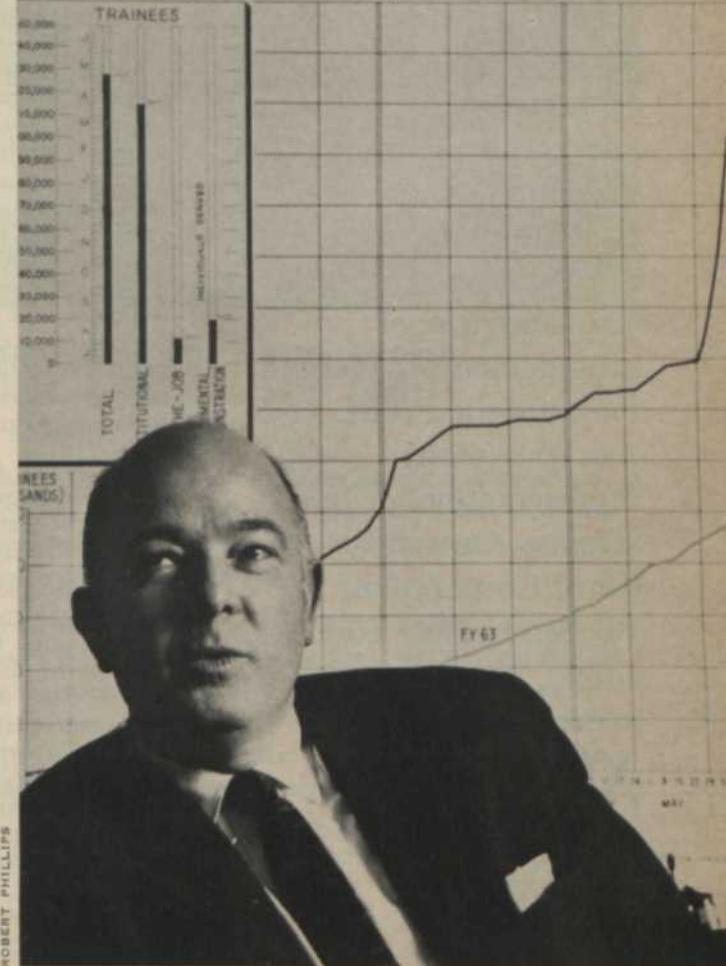
In terms of jobs, one group creates a pessimistic picture and the other an optimistic one.

There is a third group of industries in which it

Mr. Donovan points out that even those lacking high school education may be trainable for today's skills

## MANPOWER DEVELOPMENT AND TRAINING PROGRAM\* TRAINING

FY 64



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## IMPROVE JOBS

*continued*

is very hard to say that they are going to go this way or that.

### What are these industries?

The industries in which significant employment growth is expected between now and the 1970's include construction, services, finance, insurance and real estate, and government, particularly as education expands. Management jobs will grow at about the same rate as they have. We expect transportation and utilities will increase in employment, but at a slower rate. And agriculture will continue its long trend of employment decline.

### What about new industries?

That is very hard to project. The whole field of health services in medicine, medical care, nursing care and related fields is undoubtedly in for very large expansion.

### Does the retraining effort show any significant progress in filling jobs which have been hard to fill despite relatively high unemployment?

Yes. One good example is a project here in Washington in which people with considerable educational handicaps, some without high school education, are being trained for beginning programing skills for data processing equipment.

This is a field in which there is a considerable shortage of trained people and the assumption has been that you have to have a college graduate or something very close to one to even start in this business. This project shatters that notion and indicates that people who have been assumed not capable of doing computer programing may, in fact, be trainable for it. It is a very interesting experiment.

### Is it true that even the skills used in computer programs will undergo revolutionary changes, forcing renewed training efforts?

I suspect so. I would make this general point: A great many people assume that the training and retraining we talk about is a problem only for the unskilled or the blue-collar worker.

It is important for us to realize that the training and retraining problem of America in the decade we are living in and certainly into the foreseeable future is not going to be restricted only to blue-collar workers or underemployed or unskilled people.

And I strongly suspect that a good many people, for example scientists and technicians in aerospace, would find that they needed quite a bit of retraining if we were to get into substantial cutbacks in defense procurement.

### How many jobs can a man anticipate filling during his lifetime? Is this increasing?

Yes. When most of us were young, we lived in an economy in which our fathers expected to work at one job all their lives. They worked in one town, for one company, in one job, throughout their lifetimes. And many skilled tradesmen tried to pass the trade on to their sons.

Increasingly, that kind of a worker-job situation is changing, and a man can look forward in many cases to holding five or six different jobs. More workers are going to experience this.

### Will workers have to move around the country more?

They already are moving about more and the pace accelerates in our fast-changing society.

Even the man who isn't forced out of a job may have to keep improving his education and skills to keep the job he has.

### What are you doing about on-the-job training?

About 25,000 workers have been approved for on-the-job training under the Manpower Development and Training Act. We would like to enter into contracts with employers to do a lot more because we think it is the best kind of training for the worker, for the company and for Uncle Sam. It involves the least expensive expenditure of public funds and the worker ends up in the job at the end of it.

### What relationship do you have with the employer?

It is a contractual relationship in which the government pays a part of the cost of the training program. The Secretary of Labor signs a contract with the employer to train workers he would not otherwise train to fill a shortage of skills.

### What are the financial arrangements?

Normally, the Department reimburses the employer for the use of facilities used in training, for instructors and for administrative costs. The worker goes on the payroll at an agreed-upon training wage and agreed-upon regular wages.

There are some situations, such as one in which the company is

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NHC-64

## IMPROVE JOBS

*continued*

going to train office machine service and repair men and the company will pay the overwhelming share of classroom training for men who will later go into on-the-job training. But the costs of preparing the training manuals will be borne by the government.

The National Tool and Die Association has just undertaken a project which looks forward to the training of 500 tool and die workers on the job. We have roughly 1,300 on-the-job training projects approved.

**Will the federal government be playing a much larger role in training in the next five or 10 years?**

I doubt it. I would expect to find considerable expansion of on-the-job training. Vocational education five or 10 years from now will be, I think, a very different institution from what it is now. This is largely a state and local enterprise. The federal government has supplied 50 per cent of the funds since the program started many years ago. I don't think there will be a larger role for the federal government in terms of authority and responsibility, although there may be more money available because the program will get larger as the nation grows and the need becomes larger.

If we are going to get into this business in cooperation with employers we have got to see a need for this kind of job. Otherwise we should not be doing it.

Another important point is that a standard of training effort be maintained.

This program is not a federal subsidy. So, it has to be quite clear that a training program we support is not one which the employer would be doing anyhow in the absence of federal assistance. We have to be satisfied that we are not simply subsidizing a training effort already under way.

**What weight would you give to re-training and upgrading of skills as a factor necessary for sustaining a healthy general economic growth rate?**

I would give it quite a heavy weight. In this kind of a rapidly changing, higher-skill-generating economy, the person with low or no skill is going to be out of work a long time, if not permanently, and eventually is destined for the

relief rolls unless these other programs correct for that.

The person who gets into that situation is a nonproducer, a low level consumer and not a very good taxpayer. So that if you have programs that meet that need, the training and retraining for jobs that do exist and the people are placed in them, they then become, not only producers, but much better consumers and productive taxpayers.

**Mr. Donovan, what can you tell us about the new automation commission?**

The National Commission on Technology, Automation and Economic Progress was authorized by Congress in August. It will look into the long-run problems, over coming decades, of changing technology and its impact upon specific industries. It will study some of the problems of skill and manpower requirements we'll face over the decade ahead as a result of technological changes that will strike certain industries or new kinds of industries.

It will study technological developments that have taken place in the military and can be transferred to the civilian economy. The Commission is designed not only to study the impact of automation upon manpower and job displacement, but also to look into how we can accelerate the rate of technological advance through which we can improve our competitive and balance-of-payments positions.

That creates a dilemma which the Commission will then have to examine.

With expanding technology and transfer of developments from the military to the civilian, it will be essential to provide for a growing, full-employment economy.

As you can see the scope and concept of the Commission's work is very broad.

It is supposed to complete its work by January 1, 1966.

**Will the Commission duplicate what is already being done in your Office of Manpower and Automation Training?**

No. As a matter of fact, it will take all that is being done now in the Labor Department, Commerce Department, Department of Defense, the National Aeronautics and Space Administration and the Atomic Energy Commission, and try to get a broad view of what is going on everywhere in government. It will try to pull it together, and with the best thinking of the 14



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## IMPROVE JOBS

continued

individuals who comprise the Commission, make recommendations for coordinating this whole over-all program.

The Commission will take a step back off the scene and for a year and a half examine what is being done and probably make recommendations as to how the government might further improve its continuing activity in the field of automation and technology.

### Will the Commission make recommendations that could lead to legislative proposals?

Yes, there could be recommendations for improving our programs or helping management and labor better to adjust to technological problems. The Commission is not restricted in the scope of its activities.

### How do you feel about the outlook with regard to automation and training?

Automation is, after all, just a shorthand word for technological change which has helped bring us by far the world's highest standard of living.

It is silly and futile and self-defeating to think of trying to resist or hold technology back.

My view is really an optimistic one. We have a capacity to provide productive work for everybody in our society and train people for it. And I think we have the technological know-how to achieve that.

### What do you think is going to happen to hours of work in the next five or 10 years?

I expect the steadily downward trend to continue.

### Do you see any need to reduce the workweek?

No, I see no need for any new law. This is an historical trend, and it is accomplished by hundreds of thousands of private collective bargaining agreements that are reached every year.

### What is the average workweek?

Factory work in June averaged 40.9 hours. Overtime averaged 3.2 hours, the highest since we began keeping track of it in 1956. This includes all workers. If you took only the 3.3 million factory workers who worked overtime in May, the average number of extra hours a week averaged 9.2 hours. While all

of those overtime hours cannot be translated into new jobs, there is enough overtime getting scheduled on a regular basis, rather than as an emergency, to provide a considerable number of jobs if the practice were discontinued. The Administration has proposed that the penalty overtime pay be increased from time and a half to double time.

### What is the outlook for improving the unemployment situation?

There has been encouraging evidence in recent months, particularly among male heads of households. The most difficult problem is the unemployment rate among young new workers entering the labor force. It fits into the nature of our discussion because many young people come in with a relatively low degree of skill or no skill, not trained in many cases for a job in this changing and mostly skilled labor market.

While the unemployment rate has been running around five per cent, the youth unemployment rate is about 14 per cent. Among male heads of households it runs less than three per cent.

### What would a deeper military involvement in Southeast Asia or anywhere else do to our manpower picture?

I don't know how anybody could answer that precisely because it would depend on the kind of involvement and to what extent.

If you are talking about a full-scale military operation along the lines of World War II, if that kind of a war were possible—I am not sure it is any more—then you develop manpower shortages because you put 10 million or 12 million young men into the armed forces in the age groups where one finds prime candidates for jobs.

But I don't see that possibility.

### If you were advising young people in school today on career opportunities, what would you urge them to do?

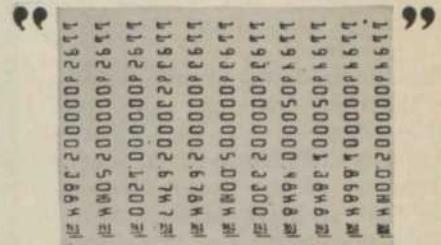
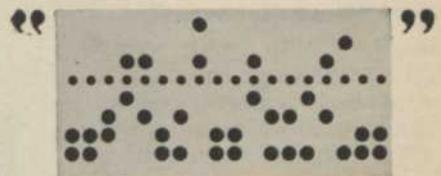
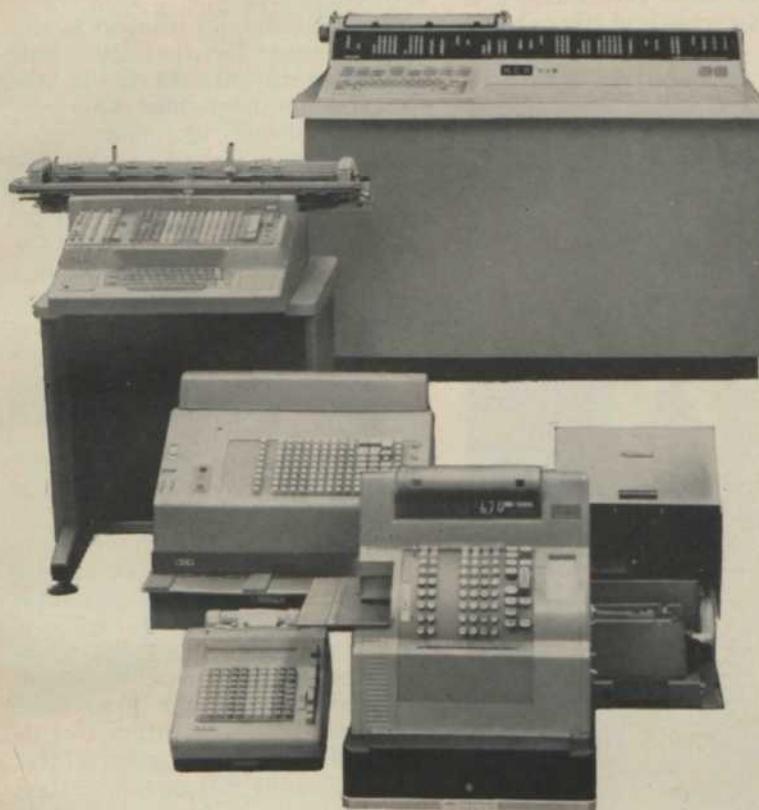
I would advise any young person to stay in school as long as possible, to go as high up the educational ladder as his talents and drive and capacity will take him and prepare for the highest degree of skill that he can see and aspire to.

Our objective is to give the United States Employment Service the capacity better to match skills and jobs; particularly to carry out its primary function of being as helpful as it can to the many individuals who need help in finding a job.

END

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# NCR

## EXECUTIVES EXPECT

continued from page 31

It is undoubtedly indicative of the economy's general good health that many of the problems discussed by business leaders are problems related to growth.

### Outlook for capital spending

Asked, "Will your company spend more, less or about the same for expansion, research, product innovation or other major programs in 1965?" businessmen replied as follows:

One hundred and fifty-four report they'll spend more than they did this year.

One hundred and twenty-two say they'll spend about the same next year as this.

Thirty-eight plan to spend less.

Analysis of the comments suggests that added capital spending will be most aggressive in utilities, durable and nondurable goods, manufacturing, wholesale and retail trade, and less so in areas such as banking and mining. Transportation is another field in which capital spending shapes up as a forceful trend. Of 28 officials responding from this field, only two expect to spend less on capital programs in 1965. Thirteen plan greater expenditures and 13 about the same.

### Labor costs and inventories

Labor costs, including fringe benefits, will rise in most companies next year, judging from survey responses.

Business leaders were asked to specify—in cents per hour—expected increases in these costs.

Taken by industry classification, here is what they foresee:

Wholesale and retail trade—increases of three to 20 cents an hour; average, eight cents.

Insurance—estimates vary from zero to 15-20 cents; average indicated, about six cents per hour.

Transportation (rail, air, etc.)—although some executives said negotiations under way made it impossible for them to predict, others expect increases ranging from three to 20 cents an hour; average, 10 cents.

Manufacturing (nondurables)—increases of four to 20 cents anticipated; average, eight cents.

Manufacturing (durables)—"about same as auto industry," was reply given by a number of company spokesmen. Estimates of expected increases range from three to

60 cents an hour; average, 10 cents.

Banking—up as much as 18 cents an hour, including social security boost; average, six cents.

Utilities—from seven cents an hour to 20 cents; average indicated: nine cents. (One utility company executive observes: "As a result of the excessive motor settlement, it is expected that wage and fringe bene-

not applicable to their business.

### Recession in sight?

When asked to pinpoint when and why the nation's next major business downturn would come, almost half of the executives participating in the NATION'S BUSINESS poll said simply that they don't know.

Of those who did respond to this question, most feel that some kind of downward adjustment in the economy is inevitable. The year 1966 is picked by many as a probable time for it. But few top executives look for anything but short-lived interruption of business growth between now and 1970. Expansionary forces—including new demand for goods from young people who are marrying and starting households—are regarded by many as simply too strong to justify anticipation of anything more than a temporary setback.

There are exceptions, of course. To a number of businessmen it is only a matter of time before some combination of economic conditions triggers a recession. Excesses in wage settlements, capital spending, inventory accumulation and consumer credit are among forces identified.

For example, John S. Fangboner, president of the National City Bank of Cleveland, predicts that America's next recession will come "following a period of excessive inventory accumulation." However, Mr. Fangboner is forecasting continued upward movement in the economy throughout the coming year.

### Installments may be danger

The vice president of a midwest laundry machinery manufacturer comments: "The ratio of the time payment debts of individuals to total earnings is already too high. A policy of forced sales on time by a major industry, such as housing or automobiles, could tip over the scale as auto manufacturers did in '55 and subsequently start a recession."

Another executive, Robert B. Semple, president of Wyandotte Chemicals Corp., Wyandotte, Mich., says, "It is difficult to do much in the way of forecasting beyond 12 months, especially after so long an upward movement, but it would seem unlikely that uninterrupted progress could be made much into 1966—too many items could cause an interruption to pinpoint any specific cause."

Another Michigan manufactur-



HERSHORN-BLACK STAR

**AIR:** Charles E. Beard, President of Braniff Airways, cites high level of economy as sustaining force.

fits will increase somewhere between 12 and 14 cents an hour in 1965."

Services—estimates range from five to 10 cents an hour; average, eight.

Mining—from five to 13 cents; indicated average, nine cents.

### Inventories no problem

In another area the survey discloses little serious short-range concern over an indicator which is watched with apprehension by some economists: signs of excessive accumulation of inventories.

One hundred and seventy-eight businessmen say they expect their inventories next year will hold at about present levels, 50 plan to expand their inventories, 24 plan to trim inventories and 62 skipped the question as one

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## EXECUTIVES EXPECT

*continued*

er, although personally optimistic about the coming year, picks 1966 or 1967 as years in which a "real estate collapse" could occur in the United States, with repercussions that could "scare the public."

But the chief executive of a major electronics company captures

the sentiment of most businessmen. He says of the outlook for the next few years:

"There is no reason for a substantial downturn in the foreseeable future if government, business and labor recognize their important functions to balance inventories with demand, wage increases with increased productivity, and approach credit extension in a realistic manner." **END**

## BORROWING WILL AID

*continued from page 35*

the nature of competition. I cannot imagine any executive failing to urge care and sound reason in this matter at all times."

William F. Kelly, former president of the American Bankers Association, reiterates the admonition to bankers to avoid overextension and careless lending.

Ellis B. Ridgway, Jr., vice president of the Philadelphia National Bank, where credit volume is up about 15 per cent, says: "The delinquencies in this area continue at a relatively low percentage—due in part to satisfactory conditions with respect to employment and consumer income and in part to the fact that this is a period when our total loans are growing."

Jo Abbott, senior vice president of the Valley National Bank, Phoenix, is dubious about economists who complain that the overall size of consumer debt is too high.

"We have in our own installment loan department approximately 150,000 individual installment credits," he explains, "and in my opinion each one of these individuals knows far more than all the economists in the country how much debt he can absorb and handle with his present and foreseeable income and expenses."

Like most bankers who talked with NATION'S BUSINESS, he has confidence in the consumer's judgment and continued ability to use credit for the enrichment of the American standard of living.

His loans are up more than 18 per cent from a year ago. But he adds:

"Delinquencies are more or less on a stable pattern. I find that each bank seems to have a reasonable groove as to percentages which are maintained in a rather level position. At times they go up, but when they are up lenders work hard to get them down, so delinquencies are considered satisfactory."

Mr. Abbott says: "As to particular problems that might come up, I point my finger only at the home improvement loans. I believe there are some errors of judgment creeping into this field. After all, when you get right down to it, basically these are just unsecured loans to a more stable type of borrower who has a home and a job. I think such improvements by the borrower should be restricted to those debts he could liquidate within five years."

Mr. Gibson points up another problem: "One principal concern we have found in talking with lenders over the country has been that there are so many new banks being organized that it has become difficult to find a sufficient number of qualified lenders to man the loan departments of these new banks.

"In many cases, new banks emphasize volume to beef up their revenue. As a result, with a volume mandate from management, these inexperienced lenders have been inclined to disregard the previously proven sound lending principles, thinking that volume will take care of their mistakes—which, of course, it doesn't."

He points out, however, that there are far more experienced and sound operators in lending than inexperienced people and this will be a stabilizing factor.

### Rates to be unchanged

Little or no change is expected in most parts of the country in rates and terms on credit loans.

"I anticipate no changes in the next several months," says R. A. Nyere, vice president of the First National Bank of Boston.

Forrest W. Denning, senior vice president of the United California Bank, Los Angeles, comments:

"Rates and terms have remained remarkably stable during the past year. We do not anticipate any future changes, but we would like to

anticipate some firming in rates early next year."

And Vice President Rudolph A. Biborosch, of the First Pennsylvania Banking and Trust Co., reports:

"Competition in the Philadelphia area is very high, with rates just about as low as they can be and still allow a reasonable margin of profit. Except for isolated situations, we are of the opinion that terms will remain constant, with no changes anticipated in the near future."

Mr. Denning doubts the possibility of another eight-million-car year, but the money to finance such a volume would be available.

"The demand for installment credit in areas other than auto loans should not be substantially greater, if any, and I foresee no particular problems in these areas," he says.

Mr. Ridgway is less certain:

"The demand for credit is strong and while I believe banks and other agencies will support further expansion, including another eight-million-car year, I would not describe the money available for this as ample."

J. O. Elmer, senior vice president of Wells Fargo Bank, San Francisco, says: "We do not feel concerned about maintaining a high level of new loan volume. We believe there will be ample money available for expansion so long as it does not exceed the present pattern."

The over-all growth of consumer credit in 1965 seems assured. Many lenders foresee its extension to other fields.

Mr. Hennemeyer, for example, explains: "As the consumer acquires additional leisure time, we believe you will find an increase in the financing of many new luxury items, as well as increases for home improvement and appliance replacement. This field has not presented a problem, and, in our opinion, will continue to be a stable field of lending."

A Chicago specialist observes: "In 1965, to an unusual degree, the rate at which consumers purchase goods will depend upon their opinion of the values being offered to them."

He thinks, on balance, that sales will be high, that credit will be extended at a record rate and that consumers will pay back more than ever before. Repayments probably will rise above the current 14 per cent of consumer income after taxes—without representing any greater burden than has existed with a lower ratio in the past." **END**

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### CONGRESS

*continued from page 33*

of the welfare state under the New Deal.

President Johnson's theme during the past year has been "let us continue" what John F. Kennedy began. But for his own Administration, it will be what he calls the Great Society, not the New Frontier. Recently talking with newsmen he referred in an offhand remark to the Kennedy reign as "the other Administration."

Not only has President Johnson proven to be a master at dealing with Congress, but he will have as his right arm a dynamo dedicated to big government—Vice President-elect Hubert H. Humphrey.

Mr. Humphrey, a member of Congress since 1948, was most recently the Senate majority whip. His job was to get the votes to push the Administration's program through Congress. Both President

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Potentially harmful credit controls are being sought at a time when continued good business depends on healthy growth of borrowing. For a discussion see two articles beginning on Page 34.

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Johnson and Vice President-elect Humphrey are quick to avow respect for the institution of Congress. (See NATION'S BUSINESS interview with Mr. Humphrey on page 33.) And they understand the intricacies and power centers of Congress and the techniques for accomplishing their aims.

Although the specific form and detail of what the Johnson-Humphrey Administration will propose is still being shaped, the forecast of a new era of federal activity rests heavily on these facts too:

The ideas for the Great Society will come partly from the task forces of outside experts and advisers named by President Johnson who have worked on recommendations for months in a variety of fields from automation to agriculture. In addition, new thinking about both old and new problems is being done within government in both the executive and legislative branches—about how to avoid future recessions and future wars.

All this pondering on public mat-  
(continued on page 93)



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# FIND THE PIVOT MAN

Successful managers need subordinates who spark action on important projects; these tips can help you spot key men

EVERY COMPANY has a few people who wield influence far out of proportion to their vested authority or their actual position on the table of organization. These are the action men—the people who provide leverage points to make the organizational gears mesh and turn. No organization can function without them.

Unless the manager wants to provide all the push himself, he would do well to learn to spot such pivotal types among his subordinates. He can then use them deliberately when he needs such help.

You can usually spot pivot men by their need for action.

They are men or women with the ability to grasp a good idea—either their own or someone else's—and push, pull, coax or coerce it through the company.

If such a person is in a formally recognized supervisory position, chances are he will display the grasp of leadership described by W. E. Zisch, executive vice president of Aerojet-General Corp.

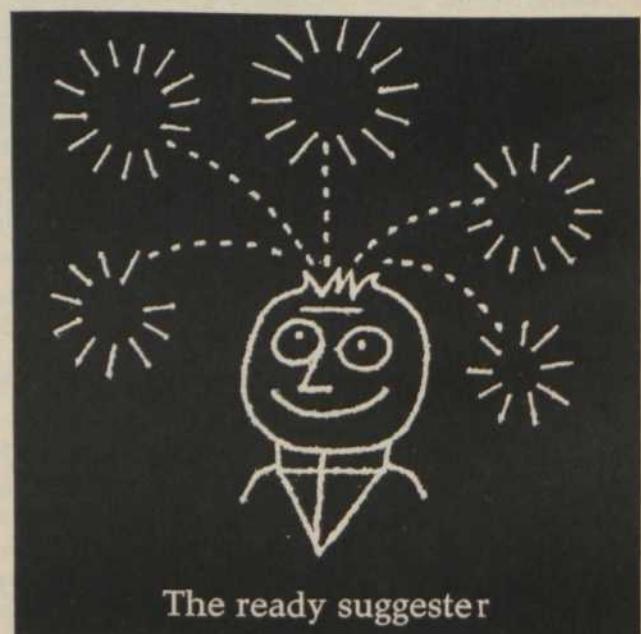
"The manager's greatest skill," Mr. Zisch says, "is dealing with persons who are stellar performers in their specialized fields. As such, they are beyond the manager's competence in their individual specialties. But they are also dependent in large measure for their own success on his ability to weld them into a team whose over-all performance will reflect more credit and satisfaction on each than each could get by himself."

A pivot man, however, often is a person far removed from any claims to authority or leadership. It could, for example, be the girl with the soldering iron, described by William J. Coughlin, who has it in her power to make or break the quality image of even a General Electric or a Westinghouse. If she is the kind of person with an instinctive pride in a job

well done, who combines this with the infectious ability to pass on her desire for excellence to the other girls in her section, she may be worth more to the company than a dozen quality control men farther down the production cycle. She is the person who provides the production leverage for that section.

Identifying such people is not always easy. They do not wear big labels saying, "I am a pivot man." Chances are they seldom think of themselves as such. And, unless you are actively searching for signs and symptoms, they can easily be overlooked.

What do you look for? Finding any single char-



The ready suggester

acteristic is no guarantee that the person is indeed a real or potential pivot man. But it can be a signal for you to seek out additional characteristics in the individual. Once you locate your own pivotal people, you may be able to open up fresh, if unofficial, channels for action on your ideas or for getting fresh ideas on your current problems.

Two qualities that run through pivot men are curiosity and awareness in their many forms.

#### **The ready suggester**

Often the most difficult part of solving a problem is simply to get started on it. This is where the type of pivot man you need may be what, for lack of a better term, can be called "the ready suggester." This is the person who, no matter what kind of problem is presented to him, will usually have several suggestions for solving it. These ideas are not always good, or even potentially good, but they can serve to get some action going in an otherwise static situation. Just the necessity to check out the practicality of some of the ideas will often get other people thinking constructively toward what will be the real solution.

The ability to come up with suggestions on various problems, particularly if they have some merit, can also be the tip-off to someone who should be watched for possible promotion to supervisory ranks. The characteristic indicates a certain degree of mental flexibility which is one of the better traits for any supervisor to have. This flexibility gives a person the ability to shift easily from one task to another without becoming upset or irritated. It is also, to some degree, a function of self-confidence—another trait advantageous for a supervisor.

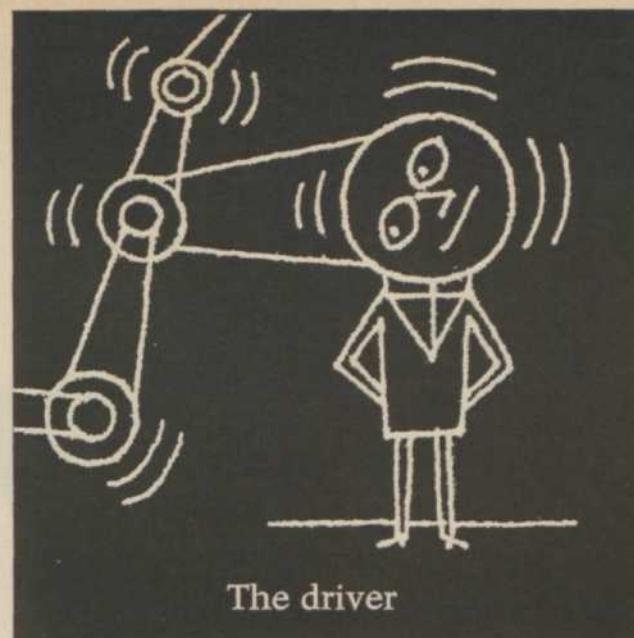
But remember that the search for pivot men is not necessarily a search for the potentially promotable. It is, rather, a search for those people who can help you get action when you need it. And often what you need is a supply of ready ideas—no matter what the rank of the suggester.

#### **The broadly knowledgeable**

One of the handiest persons to have around in a tight situation is one with a broad range of interests and knowledge—especially when what is called for is a new idea to solve an immediate problem. Because new ideas are usually combinations of old ideas or old ideas in new forms, the person with a breadth of knowledge will usually have a greater potential for producing ideas.

People with a broad degree of knowledge are apt to be especially valuable for supervising others who are also highly competent in their jobs. Professional workers, such as scientists or technicians, are apt to bridle at the so-called professional approach to supervision. They don't respond to anyone who gives the impression of being a supercharged salesman. They will respond to a man whose authority is based on demonstrated knowledge and ability—even to the point of forgiving him some otherwise disagreeable personality characteristics.

Lee A. Iacocca, vice president of Ford Motor Co., emphasizes the importance of both spotting people who have a broad range of knowledge, and taking

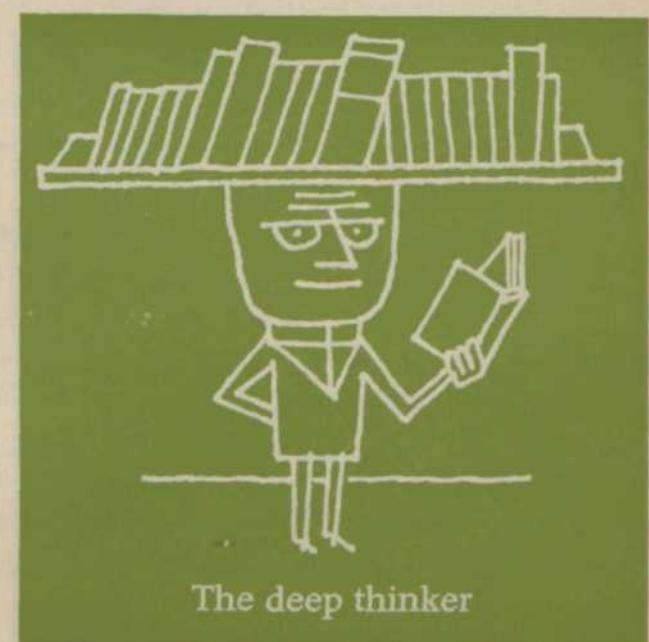


**The driver**

positive steps to help them broaden that knowledge. "We shift our management people from job to job at planned intervals to give them the broadest possible experience and to maximize the number of areas in which to test their capabilities," he reports. "You'd be surprised how good a salesman you can make of an engineer, or how good a product-planner you can make of a finance man."

#### **A man with a memory**

A good memory is, of course, important to the acquisition of general knowledge. But frequently, when you need a quick solution to a short-term problem, the type of person who can remember an odd-shaped piece of metal he has in the storage room at just the time such a piece is needed may also be able to remember how a similar problem was handled the last



**The deep thinker**

## FIND THE PIVOT MAN *continued*

time it occurred. In fact, an "odds and ends" type of memory frequently typifies a mind with a potential for creative solutions to problems.

Gen. Lucius Clay, chairman and chief executive officer of Continental Can Co., is one who is noted for his memory. According to his associates, General Clay runs the company "about 106 per cent. He has a photographic memory that enables him to keep track of minute details, and he often confounds the rest of us with the things he knows."

Memory alone will not assure that you have spotted a pivot man. But it is one of the key indicators that the person could, under certain circumstances, be the first one to come up with information or help when you need it in a hurry.

### **The driver**

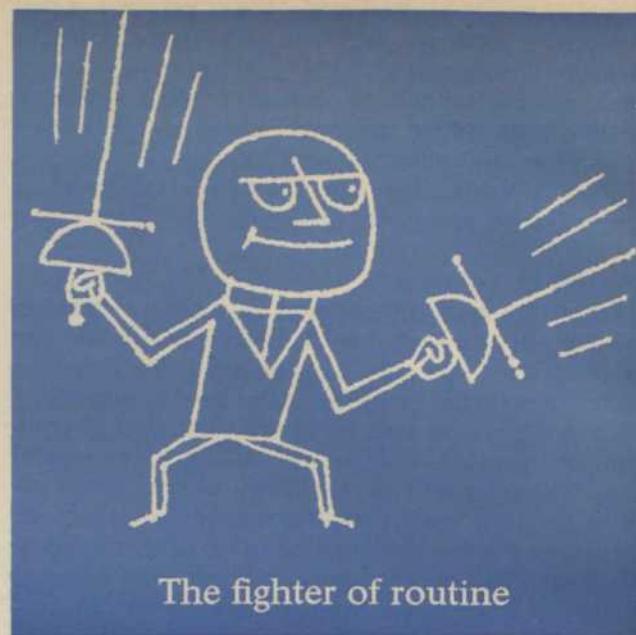
The quality of drive is a relatively easy one to observe. It shows itself usually by a man's dogged determination to see a job through.

But watch out. Drive, to be constructive, must be coupled with one or more of the other intellectual assets. Persistence may easily be confused with stubbornness or obstinacy—neither of which may be what an executive with a tough job is looking for. The person with well motivated drive can be an excellent pivot man to swing a long-term project or one with multitudinous details to be resolved.

Drive is, moreover, a relative factor. One organization, in a fit of psychological soul-searching, had all supervisory personnel evaluated for various personality characteristics. One man was found to rate very low on the scale of "dominance"—a more formal word for drive. But investigation showed that his was an excellently run department. Further investigation provided the reason: His employees ranked even lower on the dominance scale, and he was, therefore, able to function as an effective leader.

### **The deep thinker**

In a world geared to cost-cutting programs, pro-



**The fighter of routine**

duction norms and output minimums, deep thinkers or contemplative types of workers occasionally find the going rather rough. The old humorist's admonition, "Don't think—work," is often applied with serious intent when some worker's attention seems to be off the job in front of him. Yet the naked ability to think and to reason is an important skill for pivot men.

What's important is the quality of thought, and one measurement of the quality of the thinking lies in the nature of subjects being thought about. The late Charles Kettering, of General Motors research fame, once chided a group of industrial editors about their concern for the current events in their industries, rather than for future trends and possibilities.

"You are mostly worried about the seething of current effects," he said. "Now you can't do anything to fix anything today. You had to fix it 10 or 15 years ago. So all of this is just turbulence."

The avoidance of turbulence in favor of constructive endeavor is a measure of the quality of the thinking available to you in a potential pivot man. Even on the production line there are some workers who, without benefit of a college diploma or not even having completed high school, have the intellectual abilities to think and reason constructively. You should know who they are, and learn to motivate them toward thinking about your problems.

### **The pace-changer**

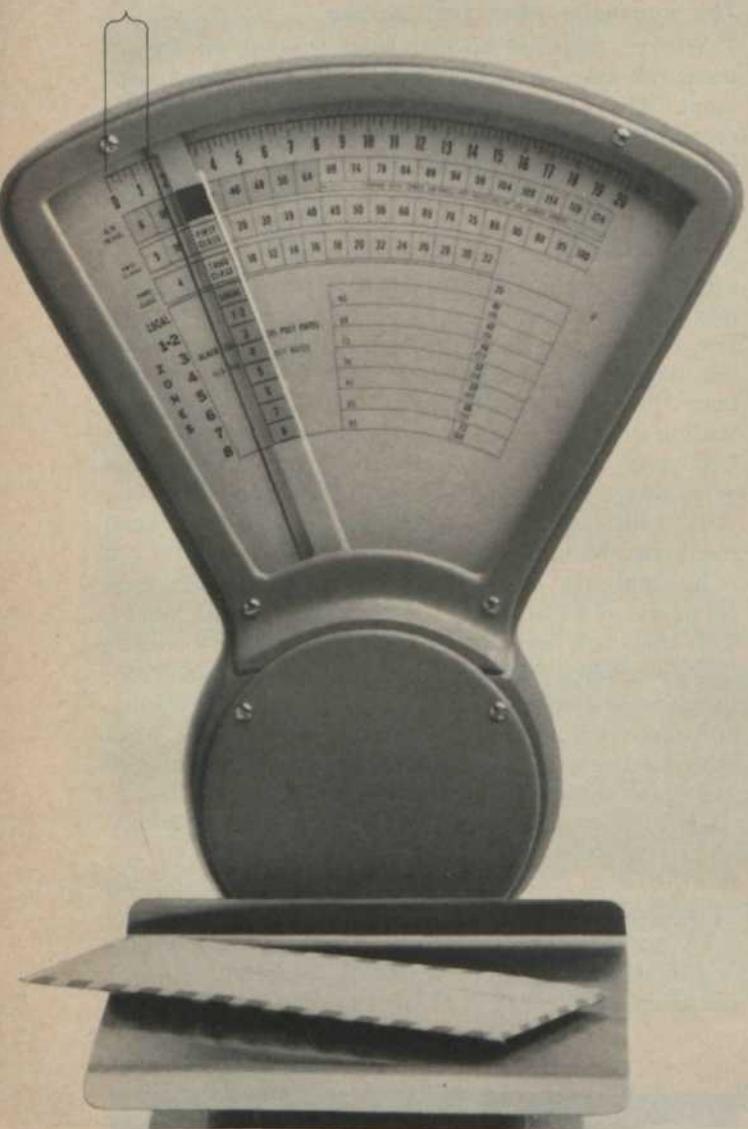
Many organizational problems stem from the inability of the people charged with solving them to be able to get a fresh, uninhibited look at the over-all situation. This is where the person with the ability to change the pace can be the pivot man either to get the organization moving again, or to accelerate a movement.

An example of such a pace-changer is George Lesch, recently made president and chief executive officer of Colgate Palmolive Co. His background was in accounting, but he made his mark as a man with a

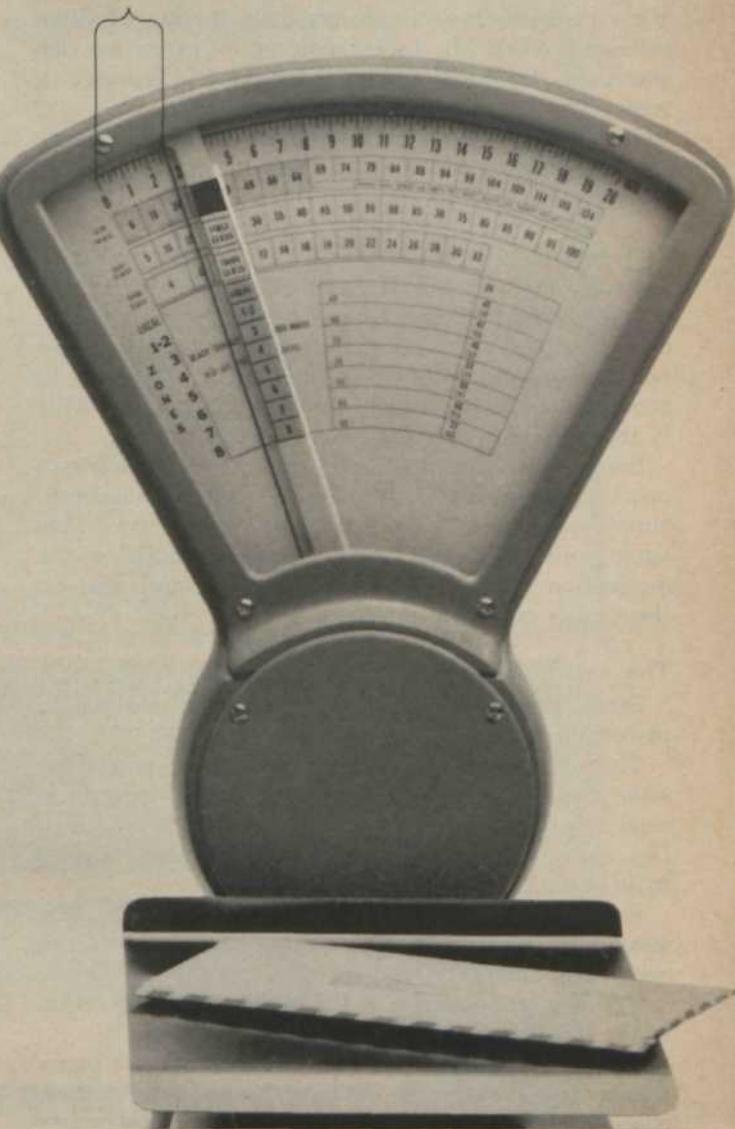


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## FIND THE PIVOT MAN *continued*

distinct flair for the unorthodox. Most of his Colgate record was compiled as an executive of the company's Mexican subsidiary. There, instead of simply copying marketing methods used in the U. S., Mr. Lesch struck out in new directions with such ideas as using sound trucks carrying fetching señoritas called "Miss Colgata" and "Miss Fabuloso Fab" to demonstrate the virtues of the Colgate products in the primitive villages. When Mr. Lesch required an executive vice president, he went outside Colgate and selected a man without any previous experience in the soap and toiletry field, in an effort to get new and pace-changing thinking in the management for the benefit of Colgate.

### The fighter of routine

Really creative minds resist efforts to restrict and channel their thinking. If the creative urge is strong enough, it will show up in continuing efforts to get in on other jobs, or other problems, or, at the least, to acquire some knowledge of other people's work. This is the first clue you may have of a pivot man.

Sometimes, of course, a refusal to settle down to one type of work or one phase of a job may indicate simply an objection to authority of any kind. This again calls for a judgment to be made both on the motivation behind the routine-bucking and also on the quality of results obtained.

### The creative skeptic

Often the pivot man turns up with qualities in places you'd least expect.

The mere thought that they should encourage skepticism in any form, for instance, is enough to send many managers into a royal purple funk. Skeptics, they feel, are disloyal, destructive and wasteful in an organization.

But a certain degree of skepticism is the best weapon an organization has against complacency and even irresponsibility.

The key factor, again, is the quality and motivation of the characteristic itself.

The creative, or constructive, skeptic doubts many things—particularly the obvious things that everyone else accepts perhaps too readily. The destructive skeptic has destruction or belittlement as his motivation. The difference can often be distinguished by an adroit question or two. The noncreative skeptic will usually assume that things are going from bad to worse and nothing can be done about it, so why try.

The creative skeptic normally feels that no matter how bad or how wrong something is, it can always be made better. He may even have some ready suggestions for betterment.

Chances are any creative skeptics you identify will have their principal benefits to you in serving as problem bloodhounds or as people who point out new opportunities.

Often opportunities exist to expose such people deliberately to problems they don't normally meet, and to solicit their thinking on these.

Such a chance occurred when Ford Motor Co. bought Philco. Ford's automotive designers were asked for their ideas on how to improve the styling

of Philco products. Amid some only half-kidding remarks about "TV sets that look like Thunderbirds," William Balderston, Jr., product planning manager for consumer goods at Philco, asserted that the interchange had "tremendous advantages in terms of fresh ideas."

### The unusually observant person

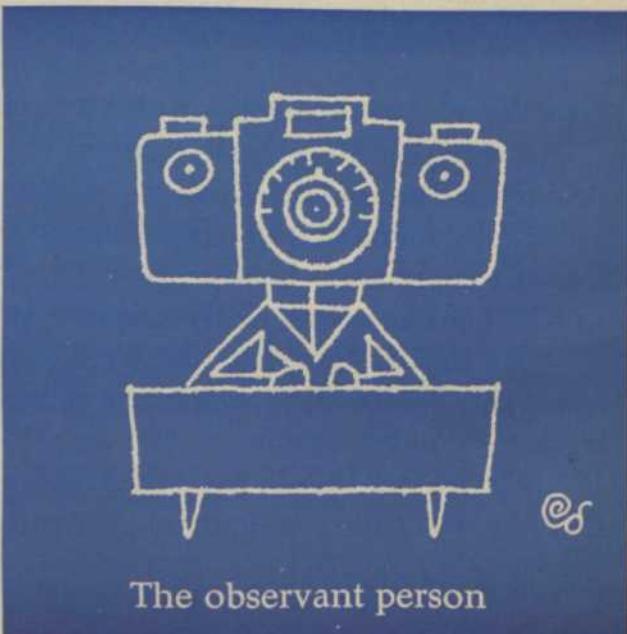
Workers who are alive to what is going on around them can be a source of major irritation to management. They can feed the rumor mill and few secrets escape them. At the same time, if an executive can cultivate such people, they can also be his first warning of something about to go wrong or something that could stand improvement. These people are apt to have what psychologists refer to as problem sensitivity—the ability to crystallize and formalize problems long before anyone else realizes they exist. Lee Atwood, president of North American Aviation Co., points out the value of this trait to his company. "Most of our business," he says, "consists of finding imaginative answers to unheard-of problems."

It may be that the person in your organization who always knows what's going on can help you spot your unheard-of problems in time to keep them from becoming major.

In applying the pivot man theory within any company, objections can be thought of quite easily. Yet they are usually objections in theory rather than practice. In practice, all the pivotal men are in operation; they act. They often act as the informal and not always recognized fulcrum to get the work out. Learning to recognize these pivot men enables a manager to achieve better results.

—JOSEPH G. MASON

**REPRINTS** of "Find The Pivot Man" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per 1,000 postpaid from Nation's Business, 1615 H St., N. W., Washington, D. C. 20006. Please enclose remittance with order.



The observant person



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## "WHAT I EXPECT"

continued from page 33

satisfied with the retail tax structure. I think it has some serious limitations.

Then one of the needs I see ahead is in the field of urban problems. We have got to do some long-range planning. Cities are growing very rapidly and there has not been a really coordinated program of assistance. I think that establishment of a Department of Urban Affairs would be very helpful.

With the Supreme Court decisions on reapportionment, there's going to be a great deal more attention given to urban affairs.

In urban renewal we ought to be thinking in terms of how we can modernize some of our existing structures and get some better credit terms and federal aid.

Our social security structure needs to be looked at again, and I don't mean just the medicare feature. I mean the benefits in light of the cost of living and the requirements of some semblance of decent living conditions. We need to find out whether the income provided with this social security system comes anywhere near meeting these problems.

I think the whole subject of the activities of the federal government in the fields of research and development needs to be very carefully looked at.

**What do you think are the proper government and private roles in connection with automation and technological change?**

I see a new era coming of partnership between the federal government and private business.

One of the worries that I have is what happens when the federal government gets into a program, unless it has really thought it out in conjunction with the people that the program is designed to help. In other words, unless it is getting the feedback from the industrial and business community then I believe these programs tend to bog down, are slow in starting and there is a great deal of wasted effort.

Now, we are establishing a national commission on automation, technology and employment with one of the objectives being to look into the impact of automation and also to look into the impact of a defense spending cutback—not so much a cutback, but a change, say, in a weapons system due to some

technological breakthrough—and to see what, if anything, can be done to ease that impact.

The impact is not just upon the industry but can affect a whole city or a whole state or county. It often affects the lives of thousands of people and it also affects the investment of thousands of people.

We're calling upon our American industrial setup to do a great deal of work in the defense field. Many people think that this is a great profit-making venture. Frequently it isn't. Actually many industries today find defense business to be very costly to them.

Sometimes the government changes its mind in mid-stream. This upsets a firm's whole management pattern. I think the government has some obligation here to see that you don't throw an industrial establishment out of joint.

My suggestion is that, rather than having this thought through just by Congress or by some people in Washington, let's bring in the people in industry who have already gone through some of this and see what their experiences were. Get their recommendations, see what kind of a program we can develop between the government and industry.

We need the industrial establishment for our defense. And the industrial establishment is going to need some government cooperation and maybe even some government assistance with taxes. For example, some tax concessions to an industry that has to make a shift or a conversion from a weapons system to peace-time production. There are many ways I think we can help.

**Do you foresee many drastic cutbacks in defense spending?**

There may be some shift in emphasis. For example, we may go farther away from manned aircraft or more into the missile field, and this does change the patterns of some employment. But I think we ought to recognize what may be before it happens and try to set up a kind of program that will alleviate the problems.

Actually, there is a good deal of work that needs to be done in the public sector—schools, highways, hospitals, city rebuilding. They could absorb a great deal of the manpower and the technical expertise and scientific know-how.

We have all kinds of plans for every possible contingency. We set up whole institutes, for example, to make these studies. Now,

we ought to be doing something like that in terms of conversion. It would not be merely put in the hands of civil servants as such, who may look on it as kind of a part-time activity.

We should bring in the government, the labor force, the industrialists, the economists, the management specialists to take a good look at what would happen if, for example, you had to cut back on mechanized equipment in the military establishment—what happens if you have to cut back on certain types of artillery or certain types of armament. We should be prepared for this.

**Will the Administration's so-called war on poverty be an expanding one?**

Actually, the new program the Eighty-eighth Congress passed had little new money in it. Only a couple of hundred million dollars. The rest was essentially to bring together some of the programs that were already operating and put them under coordinated direction.

I am convinced that it will take more. What we have done so far is not really a frontal assault on poverty, but just a beginning, particularly in the youth area. But here again, the federal government ought not to do all of it. What we're doing on the federal level is sort of an invitation to others to help, such as voluntary groups and counties, cities and states, giving them some sense of direction and purpose.

**You have often charged that we have a deficit in education in this country. What do you think should be done about it?**

I think that the community college concept, for example, would be very helpful. This is one way to cut back on the costs of higher education.

Many young people will not go through four years of college, but they would like to have two years of college.

They can get technical training, business training, and can find out what they really want to pursue. The cost of education will be less because they can live at home. They can hold jobs in their local communities.

The community colleges are to education today what the high school was to education 40 years ago, and we ought to develop them. They can be developed at a very reasonable cost by using high

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## "WHAT I EXPECT"

*continued*

school faculties and by using many of the high school facilities.

I am one of those persons who believe we can use the educational plant now much more than we do. Now we use it from eight in the morning to four in the afternoon and close it up. This is ridiculous. You've got a tremendous governmental and private investment in educational plant. It ought to be used at least 16 hours a day. By adding to the teaching staff, to library facilities, we can do a great deal.

Of course, we have other needs in higher education. We have got many programs working in that field now: library services, the federal student loan program, grants for construction of university facilities.

### Will the minimum wage be a hot issue in the new Congress?

It is apt to be. The coverage is rather general now. There may be one or two areas where it could be improved. I think we need to take a look at what the impact has been of the minimum wage at \$1.25 an hour. As far as increases are concerned, I like the idea of the escalator effect, where you don't go all the way at once. You move it up a little, as in the 1961 minimum wage increase law.

### Aren't there some changes necessary in our farm laws?

Well, I see no reason to change some of the programs. The tobacco, peanut and rice programs, the wool program, our sugar program, for example.

However, we still need improvements in our wheat program, our feed grains program, our dairy program and our cotton program. The wheat, cotton and wool programs all expire next year. We need to restudy our wheat and feed grains programs. Compulsory production restrictions to gain price objectives don't seem to be the answer for wheat and feed grains. Voluntary production adjustment programs, properly administered, are better. But these won't achieve our income objectives all alone.

Crop-land retirement to expand conservation acreage ought to be further explored. But we must be concerned with the future of our rural communities.

There are ways to supplement farm income without distorting

market prices and normal channels of trade and at a time when international trade in farm commodities is becoming increasingly important.

Actually, vigorous efforts to expand trade outlets both at home and abroad offer probably the brightest hope of all.

Our farm cooperatives and other segments of free enterprise can and should perform many of the marketing functions now being performed by federal agencies, such as the Commodity Credit Corp. The government's role should be to supplement private enterprise, including cooperatives.

But what we may need is a combination of alternatives—depending on the specific commodity involved.

For milk and other dairy products, we need to find better ways of meeting the real needs of our low income groups and fulfilling our objectives—humanitarian and otherwise—abroad.

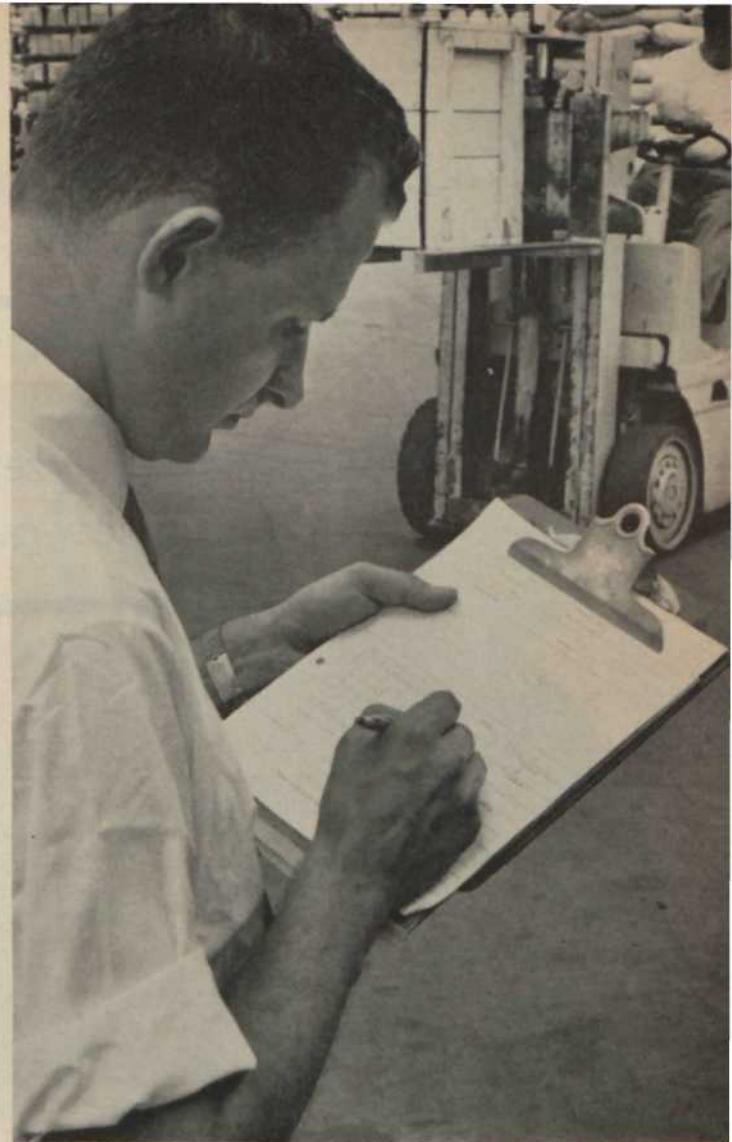
Certainly, we must expand and provide adequate funds for our farm credit programs: the rural electrification program, the soil conservation program, the school lunch program and the food stamp program.

A changing world requires continuing review in programs and policies. I hope we can create a bipartisan commission on agricultural policy. But certainly we can't wipe out all of our farm programs and force the farmers off of their land.

Will the Johnson-Humphrey victory provide such a mandate that the President will be able to move through Congress quickly almost anything he wants?

Well, I have been in Congress quite a while, and so has the President. Congress takes its time and that is all right. I want to say quite frankly that while Congress is criticized a lot for stalling and delaying, I do not believe in rushing legislative policies. There is much to do but you can make an awful lot of mistakes hurrying too fast, particularly when you get into complicated areas like fiscal policy, automation, matters that relate to urban problems. There aren't any easy quick answers. You need a lot of hearings. You need to take a good look at them. This is such a big country I think people forget that we have to hear from a lot of people in Congress before making our decisions. I'm still kind of a congressman at heart and I hope I always will be.

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# STOCK MARKET TRENDS TO WATCH

Economist analyzes investment changes that point to new outlook in decade ahead

A NEW ALIGNMENT of basic forces will shape the course of stock price trends during the decade ahead.

Stocks will continue to provide many excellent investment opportunities. But trends of the past decade or two are not likely to be repeated. Selecting companies for investment therefore will become more difficult and more challenging.

For the company seeking growth funds the changing market conditions will also provide new challenges. A growing number of firms will finance more expansion through other means.

Some of the principal forces which affected the behavior of the stock market during past years will continue to operate, but their degree of influence will change.

## Outlook for growth

The economic growth rate in the United States probably will accelerate during the decade ahead. This is a substantial plus factor. In a broad and general sense it will contribute to rising stock prices.

Growth will come faster for several reasons. The rising standard of living in the U. S. feeds on itself and tends to create its own prosperity.

The stimulation of economic growth through tax reduction has proved a stunning success. More reduction is scheduled for 1965 and the beneficial results will carry on. Government leaders recognize the restrictive influence of excise taxes

and talk of reducing these rates next. Further cutting of personal income and corporate tax rates in the years ahead would add to job-creating spending by business.

Another factor of considerable future importance is widespread realization that major depressions are not likely. Nor is there any prospect for a money panic, such as the one in the 1930's, which had such a pronounced effect on the stock market for long periods of time. Bankruptcies of large corporations are also less likely.

While moderate swings of the business cycle will continue, they will on the whole be mild and short.

## Future profit trends

Profits of corporations will continue to exercise a great impact on stock prices.

Corporate earnings have not kept pace with the growth of the economy or with the decline in the purchasing power of the dollar. In 1929, for example, profits after taxes amounted to a little more than five per cent of the total value of all goods and services produced. In 1963, a good profit year, they represented only 4.6 per cent.

The continuing improvement of profits during the past year has brought the percentage close to the earlier level. Still there is no assurance it will stay there. A continuous expansion of sales is needed to maintain profits.

## Role of stable prices

The threat of inflation has contributed much to the sharp rise in stock prices in recent years. But, barring a major war, inflation is not

likely to play the same role in the future as in the past.

Although inflationary forces do exist and there's danger of a new wage-cost spiral, many forces will tend to prevent a material increase in prices.

The backlog of demand that dominated the early postwar years has long been met. The productive facilities of the U. S.—and of the rest of the world as well—have increased and will steadily continue to do so. Competition, domestic and international, is keen and will become keener in the future. Automation and other labor-saving devices increase productivity and thus counteract at least part of the increased expense of rising wages and fringe benefits.

Since the end of the war the value of the dollar has been cut in half, if measured by the index of wholesale prices, and more if by the consumer price index.

In large part, the inflation which started in 1945 came to an end about 1957. Price indexes since then have become more stable. This stability is likely to continue.

So long as the forces of inflation were strong, there was a desire—one may say a need—to hedge against inflation. But so long in the future as the U. S. economy continues to defy the threats of new inflation, the need to invest against loss will diminish. Thus inflation is not likely to play the same important role in the stock market in the future as in the past.

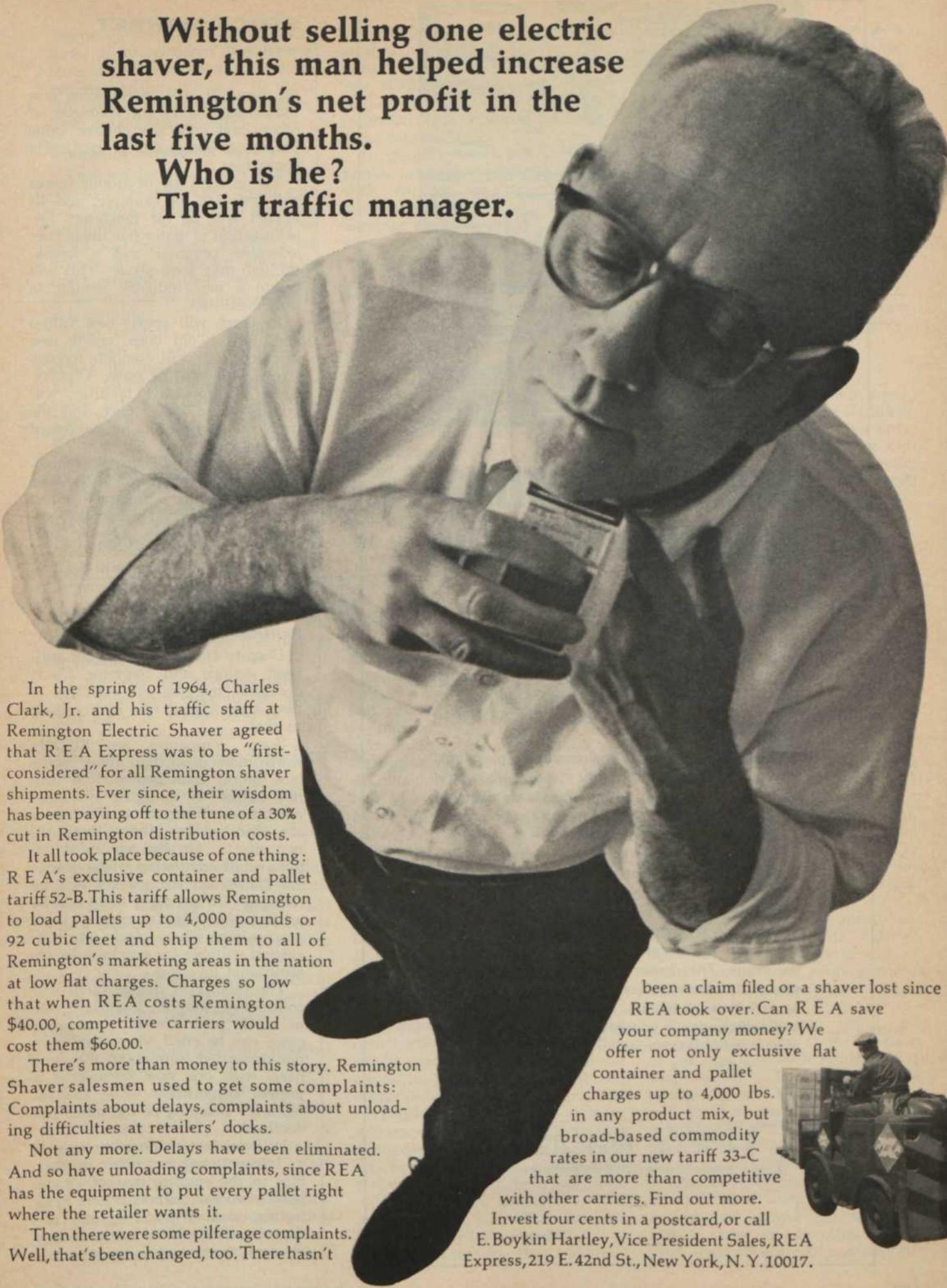
## Automation and stock prices

Research will play an even more important role in the future than in

MARCUS NADLER, the author, is professor of finance, Graduate School of Business Administration, New York University.

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Then there were some pilferage complaints. Well, that's been changed, too. There hasn't

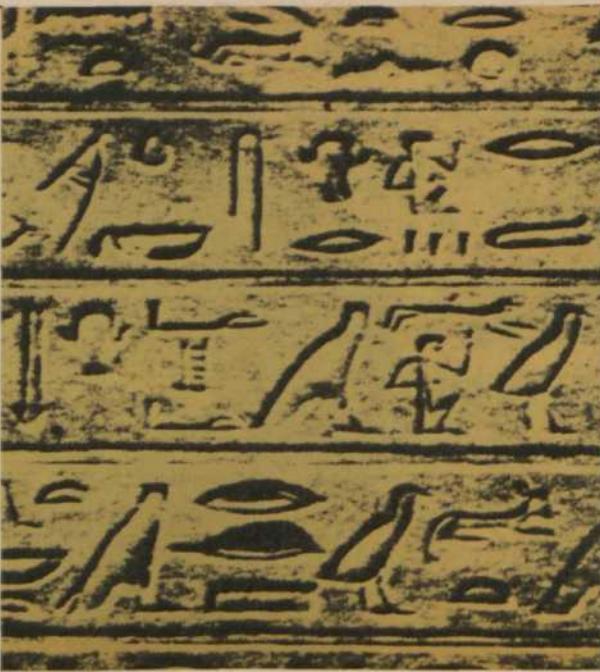
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## ANCIENT CUSTOM-MODERN METHOD

Early man often went to spectacular lengths trying to insure prosperity in an approaching year. In 2000 B.C., for example, it was an Egyptian custom to seek future good fortune by holding an elaborate ceremony and celebration at year's end. The giant ritual included sacrifices, offerings to the gods, the exchange of gifts, torchlight processions—and lasted nearly a week.

Today, of course, every business and professional man knows his best chance for a "prosperous New Year" lies in planning...early, heads-up planning that evaluates where he is, where he wants to go, what will be necessary to get there.

Future prosperity for your community takes this kind of planning, too. That's where your local Chamber of Commerce comes in. Your Chamber is made up of men like yourself pooling their talents, planning for your city's growth and progress; not just next year, but in the one after that—and even further into the future. They know that by helping underwrite prosperity for others they are underwriting their own as well. You will be, too. Why not put membership and participation in your local Chamber at the head of your list of resolutions for 1965!



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## STOCK MARKET

*continued*

the past. It will create some new industries, change the character of others and generally change value judgments for stocks of particular companies.

The civilian use of atomic power will broaden, for example, and its impact will be far reaching. Desalination of water has made considerable progress and a breakthrough may soon occur. This will create a new industry similar to public utilities.

Research will create new values and destroy old ones, create new products that will compete aggressively with existing ones. Obsolescence of productive facilities will progress at a faster pace and the problems confronting management will increase.

Automation will create temporary unemployment but in the long run it will have a favorable effect on the economy. It will make possible higher wages, greater productivity and a higher standard of living. This, in turn, will lead to an increase in the total demand for goods and services.

### Political and other factors

Despite Justice Department anti-trust actions and Supreme Court decisions, mergers will continue to play a significant role in the stock market.

Some companies are literally worth more dead than alive. Some lack proper management and cannot adjust to changing economic conditions. When these companies are absorbed by others, there are two effects. On the one hand the number of companies whose stocks are traded on the market will be reduced. On the other there will be an increase in the number of large corporations whose stocks are considered suitable for purchase by institutional investors.

The quality of management will continue to play an important role in stock price trends. Numerous cases can be cited where two companies started from about the same base, with one now considered a growth corporation while the investment standing of the other has declined.

Political factors, domestic as well as international, are other intangibles in the equities market. Some have temporary effects, others more lasting ones. When a country undergoes serious social and economic changes, the impact on the economy

and on the stock market lasts a long time. If international disarmament based on solid guarantees could be achieved within the next 10 years, for example, this would certainly have a long-lasting effect.

#### Growth in number of buyers

Demand for stocks is a factor of considerable importance to the market's future. Demand has increased substantially, particularly from institutional investors, although relatively little is known about the exact amount of their participation in the market or the pace at which it is growing.

The existing information indicates that the growing demand for stocks by institutions has been a major factor in the rise of common stock prices. There is no doubt that institutions will continue to influence the price of stocks, the liquidity of the market and the methods of executing transactions.

The number of people owning stocks also has increased considerably. The estimate now is 20 million, compared with 6.5 million only

a dozen years ago. Thus the overall demand for stocks has increased substantially while the supply of new stocks, particularly of industrial companies, remains relatively constant. This situation probably will continue.

In general, manufacturing companies today meet a great deal of their capital requirements from their internal resources. Retained earnings and depreciation reserves are almost as large as the need for capital expenditures, accumulation of inventories and the increase in accounts receivable.

This suggests that the supply of common stocks may not increase as fast as demand.

The number of individual stock buyers will continue to increase, reflecting the rise in personal income and savings, as well as the growth of the middle class. With demand, prices will, of course, trend higher and supply falling behind demand, prices will, of course, trend higher. Periods of depressed prices will be short and the comeback fast.

END

wage with broader coverage is a distinct possibility. Double-time pay for overtime worked under the Fair Labor Standards Act may be pushed through. But another demand of organized labor, repeal of the provision of the Taft-Hartley Act that permits states to enact right-to-work laws, would probably take more votes than now appear pledged to such action.

Any new civil rights measures would face three to four months of debate in the Senate. So this potential delay, plus the fact that such a broad program was just enacted, suggests little chance of new laws in this field for the Eighty-ninth Congress.

#### Strategy for downturns

In the event of economic recession, indications are the Johnson Administration would call not only for new tax cuts but also for old pump-priming tactics of public works spending to make jobs and put more money into the economy, even at the risk of reduced purchasing power at a later time.

A new law to deal with presidential succession and disability may be passed. But other so-called reforms, such as a change in the congressional seniority system or enlarging the powers of congressional leaders, seem unlikely. The leadership organization now faces a much diminished opposition from the reduced ranks of conservative Republicans and southern Democrats who so often have voted alike to block increased federal spending and centralization in Washington.

Several of the congressional committee chairmen are conservative and would resist future moves to make the federal government increasingly pervasive in its activities.

However, some of the most conservative are now quite elderly. Moreover, the members of a committee can out-vote a chairman if they want to get action on a piece of legislation.

The Great Society won't get everything it wants from Congress or get it as soon as it wants, but it won't be at a loss for new proposals. As one White House aide puts it: "You can keep dreaming up new legislative ideas forever." And many of these ideas will be enacted in the period about to begin.

Private, voluntary activity will be challenged anew to show why government should not do more and to prove it can often accomplish what government cannot. END

## CONGRESS *continued from page 78*

ters may well result, for instance, in proposals to:

- Give some tax revenue collected by Uncle Sam back to the states and cities in a new form of fiscal relay to spend the wealth.
- Remove some controls from farm programs.
- Abolish the national debt ceiling.
- Reform the way we pay our income taxes to give more choice on how it's figured.
- Make public education compulsory through two years of college.
- Focus domestic economic aid subsidies on slow-growth sections of Great Lakes states and the Ozarks as well as Appalachia.
- Make federally supervised training widespread for young people, even paying them regular salaries to learn.
- Set up whole federally planned communities in metropolitan areas.
- Promote greater international trade and more foreign lending.
- Channel talent and facilities from defense to peaceful public uses under government-set standards.
- Distribute natural resources for economic development and public recreation as Uncle Sam sees fit.

Certainly not all the new ideas

and programs will be contrary to the best interests of business. However, the role of government in the economy and its effect on economic and other decisions would be greatly enlarged.

Here are some specifics of the legislative outlook:

Undoubtedly Congress will eliminate or reduce certain excise taxes in the next two years, pour more money into various area redevelopment programs, and pass new farm legislation and some sort of increased social security benefits.

It is much less certain that Congress would pass laws to establish a federal department of urban affairs. It lost by 100 votes the last time it came to a vote in the House of Representatives. It is still doubtful that Congress will enact broad aid to elementary and secondary school construction since such legislation would have to overcome traditional opposition on religious, racial and conservative philosophical grounds.

Health care under social security will stand its biggest test in the new Congress but may still be kept from enactment because of highly questionable fiscal soundness and need.

Regulation of consumer credit and consumer packaging also has failed to be proven needed.

An increase in the minimum

# HOW REAPPORTIONMENT THREATENS BUSINESS

Supreme Court decision could make shambles of political climate in which your company operates

"WE'RE SCARED STIFF of the damn thing and make no bones about it."

That's a blunt description of the reapportionment issue by Gwyn Thomas, government affairs director for Associated Industries of New York, Inc. It reflects the concern of business across the country over the political revolution caused by the Supreme Court's mandate that state legislatures must be set up on a one man-one vote basis.

"No manager in New York State could plan with any reasonable certainty for future cost and future business expectations," the industry group's board of directors declared. "Such expectations would be subject to the political expediency of the metropolitan New York area and entrenched political majorities in all bigger cities."

Many businessmen elsewhere agree that court-ordered representation based purely on population threatens to wipe out traditional checks and balances which protect minority interests—business included.

Thus many businessmen are ex-

pected to support Sen. Everett M. Dirksen's campaign next year to present the apportionment issue to the voters through a constitutional amendment.

If Congress passes legislation providing for such an amendment, the people can decide whether state governments can be apportioned as are the House and Senate in Congress.

Passage of the amendment would allow state voters to choose periodically whether to apportion one house on the basis of population and the other on additional factors such as geography, economic interest and tradition.

The issue is not minority versus majority rule, but effective representation of minority interests versus "winner-take-all" domination by highly concentrated urban voting majorities.

Reapportionment expert William J. D. Boyd, a senior associate with the National Municipal League, foresees a political battle involving "more money than you've seen in a long time." Business and unions, especially in New York and Illinois,



are likely to line up on opposite sides.

#### A case of politics

Reapportionment, though decided in the courts, is pure politics. Robert G. Dixon, Jr., professor of constitutional law at George Washington University, remarks that "The political thicket has become no less political because the courts have entered . . . and in politics no one is neutral."

A Supreme Court ruling in 1962, widely interpreted as requiring one house of each legislature to be based on one man-one vote, raised little uproar. Many concede the ruling corrected glaring inequities of years' standing. (See "What Reapportionment Means to You," July, 1962, NATION'S BUSINESS.)

Sharper criticism, however, followed a ruling last summer that the voters of Colorado were flat wrong when they chose, in a referendum conducted on a one man-one vote basis, to apportion one house on population while giving weight to additional factors in the other.

Said Sen. Jacob Javits of New York: "Many citizens find it difficult to understand why the U. S. Senate can be organized on a basis not of population and the other House on the basis of population,

but the individual states, even if their people so elect—which I emphasize—cannot have the same privilege."

Many businessmen have been living with reapportionment campaigns long enough to assess the implications realistically in concrete business terms.

Observers have found, however, that many with a stake in the issue are unaware of it or regard the Supreme Court's ruling as beyond challenge. One political expert, who has discussed it privately with some business groups, shocks them with warnings of what could happen to leaders of legislative committees: "Some of these boys you've been giving boxes of cigars to for years are going to disappear."

The goals of organized labor pushing for reapportionment in industrial states give some indication of what's at stake.

This is clearly the case in Michigan, where the one man-one vote battle is familiarly known as the Gus Scholle suit, after August Scholle, head of the state AFL-CIO. Business expects an apportionment plan ordered into effect by the union-backed Michigan Supreme Court to give impetus to:

► More legislation increasing con-

trol over business—regulatory activity giving a state agency, possibly an expanded department of labor, a fishing license to cast about in corporate files.

► The unions' long-time goal of a corporate income tax and an individual income tax with high exemptions—in the \$6,000 range—having the effect of a progressive state tax.

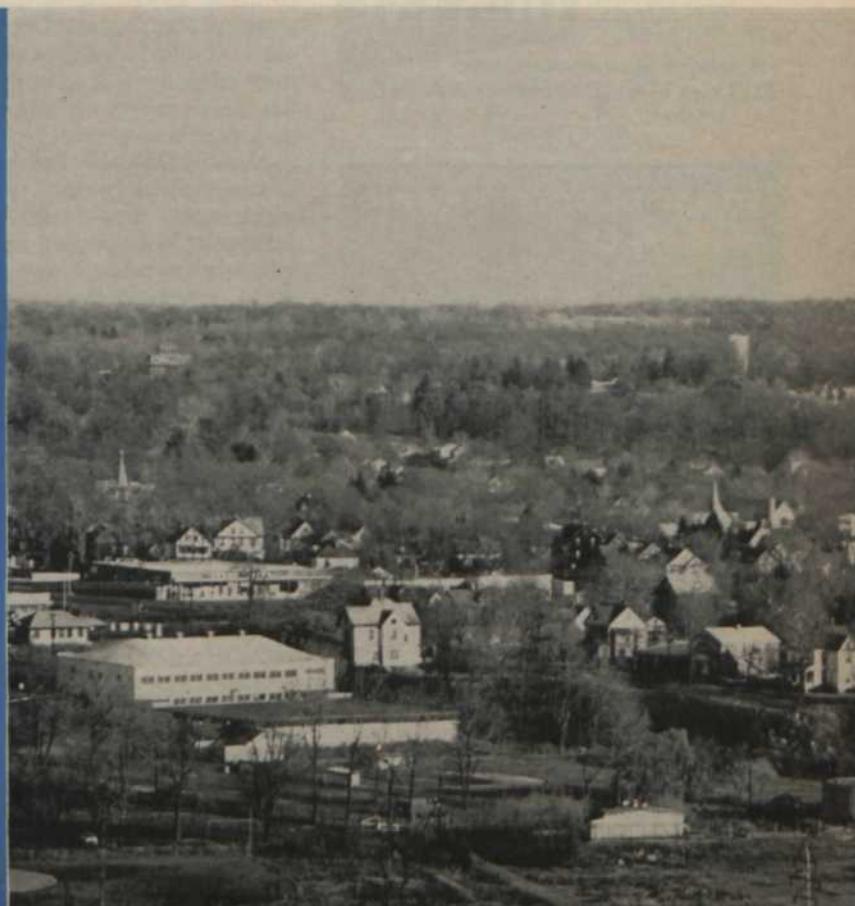
► Expansion of unemployment and workmen's compensation, with increased coverage, higher benefits and lower eligibility standards.

Business in other states could feel the effects of another union drive—toward establishment of state-operated workmen's compensation funds.

The United Auto Workers, for example, have urged "establishment of an exclusive state fund in each state and elimination of private insurance companies in this field to stop their profiteering and the negative effects they exert on legislation."

Both of Michigan's senators, Philip A. Hart, who was up for re-election, and Patrick V. McNamara, who was not, led the successful filibuster against efforts in the last Congress to give states a breathing period to adjust to the reapportion-

A radical shift in political power is being forced by the Supreme Court's ruling that both houses of a state's legislature must be based on population. Highly concentrated urban majorities will gain at the expense of less populated areas, whose interests are often related to geography. Business interests, often understood by experienced, economically conservative rural representatives, could lose out to big-city forces dedicated to restrictive regulation and big social welfare programs.



## REAPPORTIONMENT

continued

ment rulings or press for a constitutional amendment.

In New York State, issues likely to be affected by reapportionment include unemployment and workers' compensation, education, utility rates, regulation of utilities, banks and insurance companies, minimum wage and taxes, plus a long string of social and economic measures focused on urban problems.

New York City, for example, has been considering adoption of a payroll tax, which could not be imposed without state action. Some observers expect that greater urban strength in Albany would lead to income tax increases in the higher brackets.

Manufacturers fear that the same forces that twice won increases in

the New York City minimum wage above the statewide level—both actions were ruled unconstitutional—would raise the state minimum if in control in Albany.

This would hurt, for example, the up-state textile manufacturer who has large numbers of apprentices and is already hard put to meet competition from imports.

### Huge urban advantage

Thomas F. Moore, Jr., counsel to the New York Power Authority, has made estimates indicating that reapportionment on a strict population basis would give the city and suburban area of 2,100 square miles 95 assemblymen and 31 senators, compared with 55 assemblymen and 19 senators for the remaining 47,000 square miles in the state.

A major force in the New York reapportionment fight has been the International Ladies Garment Workers Union. David I. Wells, assistant director of its political department, estimates he has spent half his time and efforts on this issue for the past three years.

The union's interest is clear. For example, ILGWU Vice President Gus Tyler contends that the unemployment insurance tax, based on a firm's experience with layoffs, is a burden on small, unstable, seasonally fluctuating companies in the garment industry. They are hit with the highest taxes which they are least able to pay, he argues, in contrast to banks, utilities and insurance companies. Spokesmen for more stable industries counter that they already are subsidizing benefits for employees of high layoff operations.

Mr. Wells, who has written and lectured widely on reapportionment, notes that an unemployment insurance bill opposed by organized labor once passed the New York State assembly by a vote of 81, representing 6.6 million citizens, to 64, representing more than seven million.

"This means that the assemblymen who opposed the bill were actually speaking for almost a half-million more people than the assemblymen who voted for it," Mr. Wells charges. "Yet the bill passed by 17 votes."

Much legislation never gets out of the labor committee in the Connecticut assembly, according to Joseph M. Rourke, deputy director of the AFL-CIO's Committee on Political Education and a member of the Connecticut legislature. He speculates that a reapportioned legislature would pass the labor

planks in the state Democratic platform.

Opposition to the latest batch of Supreme Court reapportionment rulings is not limited to advocates of the status quo or do-nothing state government.

One vigorous opponent is Robert Moses, head of the New York World's Fair, who has been associated with many major public resource development projects in his state for decades. (See article beginning on page 100.)

A key factor involves the characteristics of state legislators. Mr. Boyd observes that city types often have been mere political hacks, that urban seats in a legislature have been regarded not as stepping stones to political advancement but dead ends—a payoff for old Joe. But he contends that the corrupt city machines have been cleaned up since World War II and that the caliber of urban legislators is improving.

Sen. Frank Lausche of Ohio puts it more bluntly: "I was mayor of Cleveland. If the city bosses were to get control of the legislature, I would fear it greatly."

Voters have rejected all-out one man-one vote in repeated referendums, observes Professor Karl A. Lamb of the University of Michigan's political science department and a co-author of "Apportionment and Representative Institutions: The Michigan Experience."

Professor Lamb tells NATION'S BUSINESS that urban voters who oppose greater representation for their own areas seem dissatisfied with what they already have and don't want a whole lot more of the same.

Professor Dixon, who has a foundation grant to study reapportionment, offers another reason. A party with, say, 40 per cent of the vote in a given district may become a "perpetually submerged minority" as the majority party with 60 per cent of the vote repeatedly sweeps the field.

Such a minority might well wish to maintain reduced representation for its own district if its interests are better protected by members of the same party elsewhere in the state. These considerations were ignored by the Supreme Court in what Professor Lamb calls "a shocking assertion of judicial competence in redesigning democratic representative institutions."

Another view of the urban legislator is offered by John A. Skippton, public affairs manager for the Marathon Oil Co., Findlay, Ohio. He formerly served as state finance

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director and as director of the Ohio Legislative Service Commission, the research arm of the Ohio General Assembly.

Mr. Skipton says of one man-one vote reapportionment: "It changes the locale of power and how you acquire it."

"The man who has to appeal to an unrecognizable mass of voters will usually use the quick solution, the dramatic approach, the pass-a-law approach. From the legislative point of view, these people will be using legislation or government regulation as solutions to problems because this is a result they can ascribe to themselves rather than seeking solutions to problems outside the legislative area."

Government spending, mammoth public works, corporate income versus sales taxes—these are devices legislators use to keep in the public eye in urban areas where nobody knows anyone else, Mr. Skipton adds.

"This is not philosophical; this is the nuts and bolts of how a man gets elected in a metropolitan area."

These factors serve to strengthen the hand of the metropolitan news media, he adds, and that of organized pressure groups with pocket-book interests in specific legislative measures—groups needed to turn out the money and manpower to get a man elected in a city constituency.

Others argue that the statehouse attracts a higher caliber of legislator from the rural area, where a man gains more prestige from sitting in the legislature. A great fund of know-how among many long-term rural legislators would go down the drain if they were redistricted out of office.

Rural legislators are closer to their constituents, Mr. Boyd notes. "This is something that's going to pass and this is lamentable," he says.

Mr. Skipton says, however, that many members of the so-called cornstalk brigade in highly urbanized Ohio actually come from metropolitan areas.

Studies show that in Illinois and Missouri the failure of urban delegations to agree among themselves, rather than rural obstructionism, has blocked urban programs. This has led the rural forces to throw up their hands and say: "If you boys ever figure out what you want we'll vote for it."

Unions argue that too many rural representatives are not farmers but small-town lawyers on retainers from major industries in the states. In the same vein, Mr. Boyd ob-

serves that some United Auto Workers shop stewards sit in the Michigan legislature.

Some conservatives look to reapportionment as the route to revitalized state government, reversing or at least retarding the trend toward dependence on the federal government.

"Anyone who thinks this is going to stop the trend to Washington is out of his mind," Mr. Boyd declares. But he feels that more active state legislatures could slow the process and, by the example of successful state programs, influence the output of Congress. Other authorities add that many urban liberals would prefer to see things done in Washington on a philosophical rather than pragmatic basis.

Mr. Boyd says that reapportioned legislatures will not be hostile to business—"with the possible exception of Michigan"—and will be more sympathetic to business problems than is Congress.

"In the South, generally speaking, pro-national and governmental-activist factions will probably gain strength in both parties," according to Prof. Alfred de Grazia of New York University. If this happened, it could lessen the region's attractiveness to business.

Professor Dixon warns that anyone with a stake in the issue should analyze census tracts and voting patterns to determine how any reapportionment scheme based strictly on population would affect the political balance of power in his locality.

He says gerrymandering is already in evidence, whereby areas heavily representing one party have been arranged to dilute minority strength.

For all these reasons many businessmen are supporting a constitutional amendment designed to supplant a Supreme Court ruling which Justice Stewart described as being "without regard and without respect for the many individualized and differentiated characteristics of each state, characteristics stemming from each state's distinct history, distinct geography, distinct distribution of population and distinct political heritage."

Adds a businessman from a major California firm: The voter has rights to be represented not only as a voter but as a member of three groups—stockholders, employees and customers. "Any curves tossed at business hurt all three." END

FOR ANOTHER VIEW  
TURN TO PAGE 100



STEVENS

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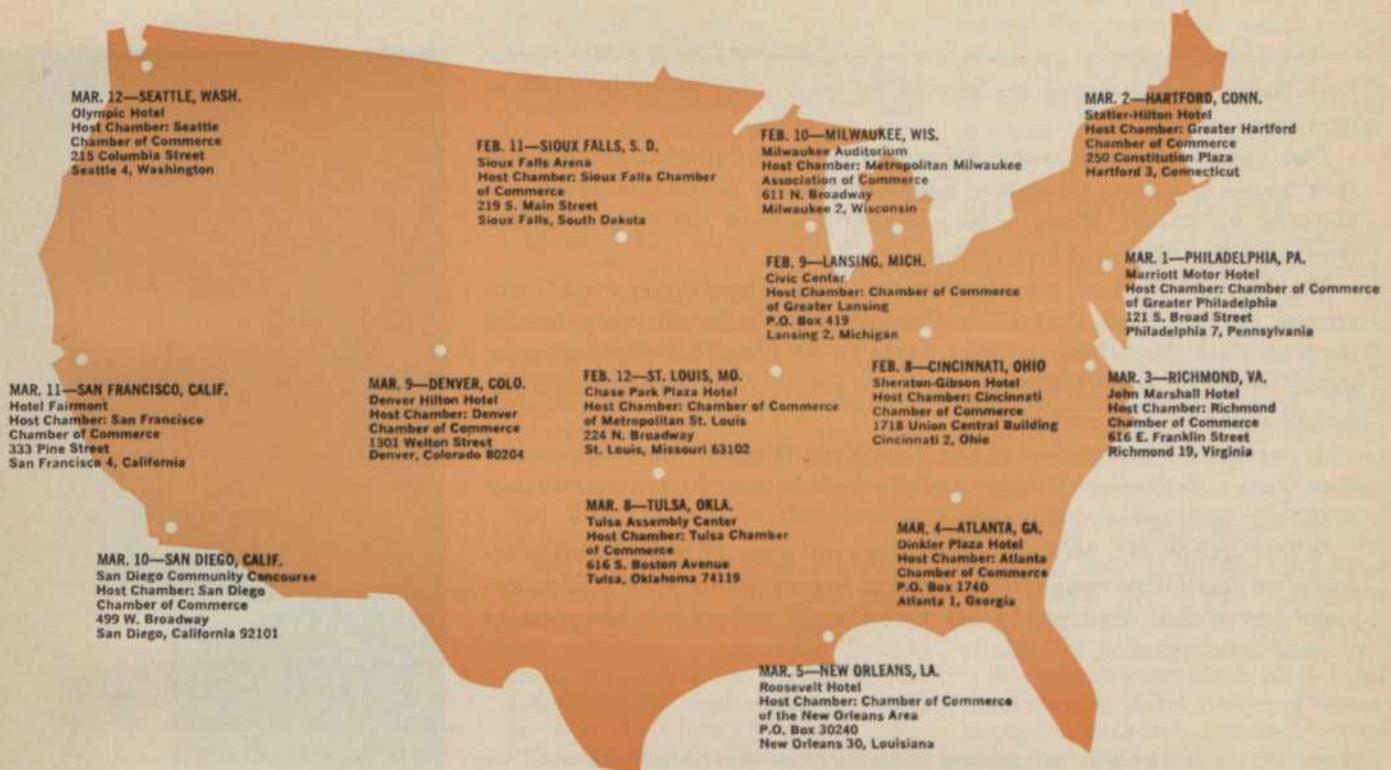
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# ROBERT MOSES WARNS AGAINST

"Legislators represent people, not trees or acres," declared Chief Justice Earl Warren. "Legislators are elected by voters, not farms or cities or economic interests."

This view, expressed in the Supreme Court's ruling that not one but both houses of a state legislature must be based on population, is sharply disputed by Robert Moses, who probably has held more public offices than any other man in American history.

Mr. Moses served as president of the Long Island State Park Commission and the New York State Council of Parks for 40 years, headed the New York City Department of Parks for 26 years, has directed major public works of every kind, and has been a consultant on state and municipal planning here and abroad.

At present he is president of the New York World's Fair, chairman of New York's Triborough Bridge and Tunnel Authority, and coordinator of the metropolitan arterial program.

In this article, Mr. Moses discusses the vital issue of representation involved in legislative reapportionment and argues strongly for a constitutional amendment limiting the Supreme Court's powers over the makeup of state legislatures.

Now that the election wakes and celebrations are over and we have washed the dishes, rinsed the glasses and picked up the bills and debris, the same old insistent problems are sitting around demanding attention.

At the head of the domestic agenda is legislative reapportionment. This subject is uppermost in the minds of state legislators as they approach what Shakespeare called the winter of our discontent. Whether they can turn it into a sunny summer remains to be seen.

Mr. Justice Frankfurter, among his famous last words, warned his brothers that they were entering a thicket. He might have finished that metaphor by adding that crashing through a jungle is not pathfinding.

Plenty of experts are available to point out the enormous practical difficulties in the way of implementing the Supreme Court decision which declared New York's system of legislative apportionment invalid. The full meaning of this judicial usurpation, however, in all of its implications, is something else.

The question before us is not whether legislative districts have been rigged in some states to favor rural areas. This is conceded. The

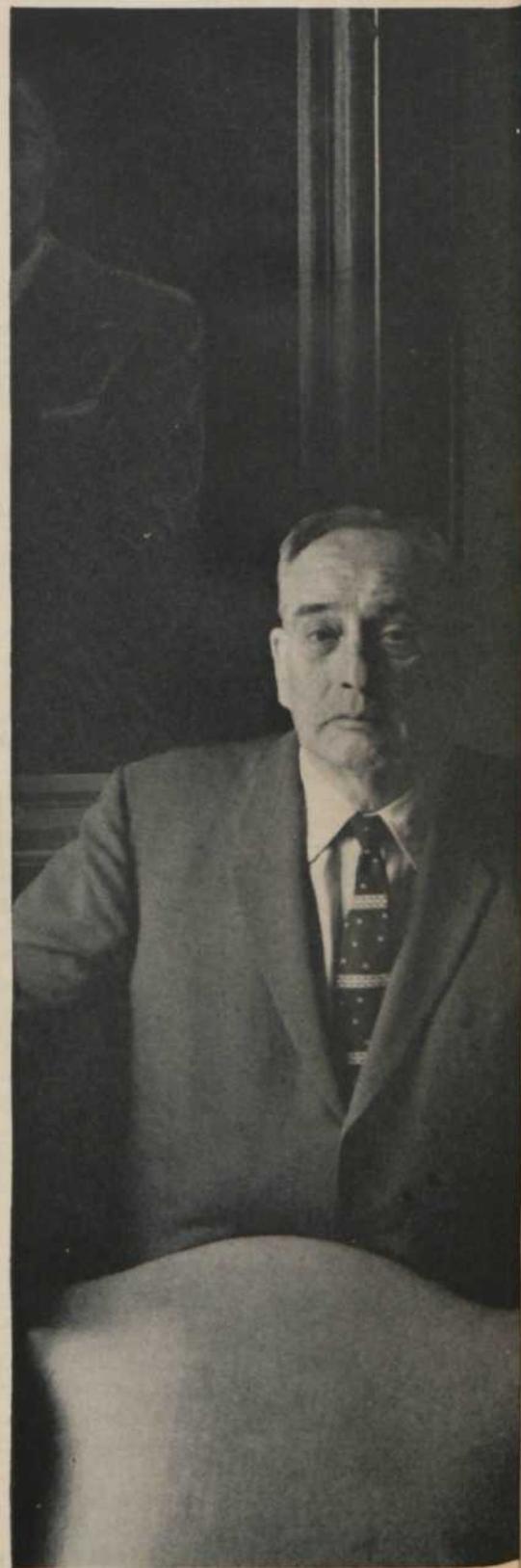
question is what principles shall we adopt as a basis of future, fair, sound, workable representative government?

#### Courts run nation

We are living in a second American revolution, as critical as the first one which established our nation. The ingenious tripartite government which the extraordinary founding fathers established, and on which our union of equal sovereign states rests, will be sustained or scrapped. Make no mistake about it.

Had other appointments been made recently to the Supreme Court, the law of the land would have been diametrically opposite to what it appears to be today. The Supreme Court now legislates and executes, and its orders are often peremptory. It now by-passes the state courts and delegates to lower federal courts authority to tell the states what to do and how to do it.

The lower federal courts in turn now instruct the people of the states when to hold primaries, general elections and constitutional conventions. The states are reduced to peonage. The judges do not even



# "MOB RULE"

allow time to think and turn around. Until we change the Constitution, any five judges out of nine—distinguished men no doubt but political accidents not chosen by the people—are ruling the country and determining its future. This line of Bill-of-Rights reasoning, if it has any validity at all, will not stop with state legislatures but will lead straight down through every county board of supervisors, town board and city council or other legislative body.

The one man-one vote decision of the Court is no less than extraordinary. Was this phrase borrowed from a poet? Could it have been inspired by Shakespeare picturing Birnam wood marching to Dunsinane, or by Joyce Kilmer in "Trees"?

If acreage is controlling in determining membership in the United States Senate, how can it suddenly have become unconstitutional, undemocratic and reprehensible in the senate of a sovereign state of the union or in a county board of supervisors or town board?

What makes the Supreme Court majority so sure that the sentiment which dictated a United States Senate reflecting states is not equally strong within the states?

The excrescences and blemishes of representative government can be removed without destroying it. It is often said that the cure for all the deficiencies of democracy is more democracy. This is one of those windy, engaging popular slogans which appeal to us early in life, but prove to be unsupported by time, chance and experience.

How can an entirely new concept of district representation be implemented overnight by judicial fiat? Where will it all end? What is the ultimate arithmetical answer to the so-called threat of disfranchisement, even if we should spinelessly accept the Supreme Court's one man-one vote edict? Voters in the minority, however numerous, still lose their theoretical equality.

Is there then any answer to left-wing political scientists and pundits other than proportional representation, which has failed dismally

everywhere, which helped Hitler to rise, brought communism into East Germany, encourages splinter parties, intrigue, mob rule and irresponsibility, and negates all genuine leadership? Where is the line between absolutely pure democracy and workable representative government? Whatever the form of popular government, whether by written or unwritten constitution, by an elected executive and Congress or parliamentary majority, the absence of a two-party system with recognized leadership is fatal. Administration becomes a conspiracy of shifting, intriguing splinter parties, and the end is dictatorship, brutal or disguised.

We are told today that popular government is a cinch for smart people, and that the impulses of the moment, gauged by sample polls, computed by machines and automatically self-executing, will serve in the place of mature, carefully considered judgments. On this theory, the more people, the more frequent and faster the recording of the popular pulse beat by ingenious, mechanical devices and quick sample polls, the better the government. But nothing in all history or experience bears out this assumption.

There is no reason to reflect on the high motives or complete sincerity of our foremost judges. We do, however, have a right to question the position of the High Court when it invades the other branches of government. Indeed it is our duty to do so if we value our citizenship.

Some of us have spent much of our lives in bringing the country into the city—by increasing open spaces in the midst of sidewalks, steel, traffic, smoke, noise and confusion. But you cannot preserve the farms, the villages, forests, shore and streams by moving them into congested areas. You cannot stop the city trend and decentralize and redistribute population on the basis of small, ideally located towns planned by academic philosophers and ambitious politicians.

We must fight urbanization not by stopping the growth of cities but

by preserving the integrity of the country, recognizing modest living and its claims to a measure of special recognition based on keeping the open spaces open.

Shall we produce better agriculture, more food, a satisfied farm population by making the country subservient to the city? We must give heed to the farm which feeds us and the countryside which keeps us sane. Sentimental? Perhaps, but civil and other wars grow out of sentiment, and of all feuds and enemies those of one's own household are the worst.

### **Crowd's hysteria ignored**

As to the more subtle psychological aspects of reapportionment, the Chief Justice and some of his cloistered associates do not show even a bowing acquaintance with the psychology of the crowd. They don't recognize mass hysteria. They ignore the necessity familiar to all students of recreation of getting people frequently into open spaces to relieve the ever increasing strains of overcrowding and the Sargasso Seas of urban concentration. Does this sound farfetched and fanciful? Not to any honest student of history and man.

We of my generation have lived through a dreadful period of demagoguery, national insanity, genocide, fratricide and mob violence. Be wary of one man-one vote slogans as the essence of democracy and of any system that promotes mob rule. Because a small mob—representing nothing and nobody, flattered by a spineless, ingratiating governor—chose Barabbas, all of mankind for some two thousand years has been expiating a foreordained martyrdom. Did those who took part in this terrible drama in an obscure corner of the Roman Empire realize at the moment its ultimate significance? They certainly did not. The sages have always feared the mob and have warned that it is not the aggregate of voices of individuals, but has a hideous, wholly independent character of its own. Like the hurricane with its baleful eye, its direction is uncertain. It is short-lived but leaves destruction in its wake.

We are a diverse people, as yet stratified and only partially amalgamated. We need not speed up the melting process, for the very diversity of our origins is the measure of our talents. Nor should the process of mixture be interrupted or rendered difficult. The clock of progress must not be accelerated or set back. This is no time to precipi-

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## ROBERT MOSES

continued

tate the acres-and-people controversy and divert attention from fundamentals on which we can agree and unite.

Our state legislatures have traditionally been the meeting and stamping grounds of democracy where, as freshmen, rural and urban representatives at the start are contemptuous, suspicious, sensitive and hostile, but gradually discover common interests and develop lasting respect and friendship. Accentuating differences by overwhelming or submerging the country vote disturbs a precarious balance. To be sure, this constitutes no valid argument for a top-heavy rural majority in both houses. It does, however, show that the sidewalks versus acres, trees against people argument is not to be settled with an abacus.

Lincoln preached that government must not be merely of the people and by the people. It must also be *for* the people, and that takes leadership, time and deliberation rather than speed. The truth is mighty, and in the very long run will prevail. It is not to be arrived at by one man-one vote slogans.

At a time when every expedient known to students and practitioners of the art of government—for it is surely no science—should be marshaled to make ambitious new republics in Africa and elsewhere compose their deep and widespread internal domestic differences in order to establish a viable economy and workable administration, we are creating new cleavages and resorting to catchwords about acres and people which can only confuse those who look to us for example. We say to them, If you seek to install the democratic process, get yourself a high court of very wise and sheltered men, and let them supervise the making and executing of laws. No doubt some of their decisions will be honored in the breach, but you will get the credit for noble objectives.

The sooner we amend the United States Constitution to limit the powers of the Supreme Court over reapportionment, the better we shall be equipped to face a world in which representative republican government is still an experiment and must demonstrate its staying power in the face of formidable opposition. We do not strengthen ourselves at home or create respect abroad by encouraging a divisive revolutionary issue in our own country. END



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ATLANTA— BIRMINGHAM	10	3 hrs. 45 min.	1.85	2.10	2.45
CHICAGO— MILWAUKEE	15	1 hr. 50 min.	1.55	1.80	2.00

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NOT CONTENT with giving away billions of the taxpayers' money every year, Uncle Santa now wants to help with our Christmas list.

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Hardly items that everyone would want. But that's the way it is with the things people think are gifts from Uncle.

The 'Jeep' Gladiator with 4-wheel drive has twice the traction of ordinary pick-up trucks.



*When 2 wheels won't do it, turn on 4.*

Winter wonderland? Not when you have deliveries to make, stock to check, or produce that has to be moved. That's when you have to get through.

And nothing short of snow shoes gets through like the 'Jeep' Gladiator with 4-wheel drive. It makes other pick-up

trucks seem incomplete. That's because it has twice the traction!

The 'Jeep' Gladiator comes on strong. But it has its comfort side, too. On the highway it rides like a passenger car... and you'll find it has a full list of power options. Choose from 7 ft. or 8 ft. pick-up

box. Flat bed or stake bodies. Available also with dual rear wheels. GVWs up to 8600 lbs. Stop in at your 'Jeep' dealer and test drive one of the "Unstoppables!" The pick-up truck that makes others seem incomplete.

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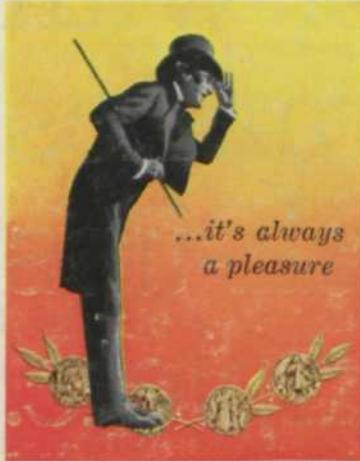
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